

*In a changed auto market, can the foreigners survive?*

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# BUSINESS WEEK

A MCGRAW-HILL PUBLICATION

FIFTY CENTS

AUG. 6, 1960



M. J. Rathbone will lead Jersey Standard as the world's biggest oil company adjusts to an unprecedented combination of problems for the industry. (Management)



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and  
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BEARINGS COMPANY  
OF AMERICA DIVISION

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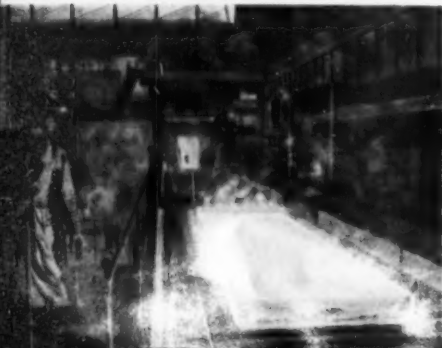
Tapered, cylindrical and journal roller bearings—for heavy duty metalworking equipment, and every field of transportation, aircraft, and other industries.

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Sleeve bearings, bushings, precision thrust washers and spacers for transportation, agriculture and earth-moving equipment, or wherever power transmission is used.

#### THREE BEARING DIVISIONS

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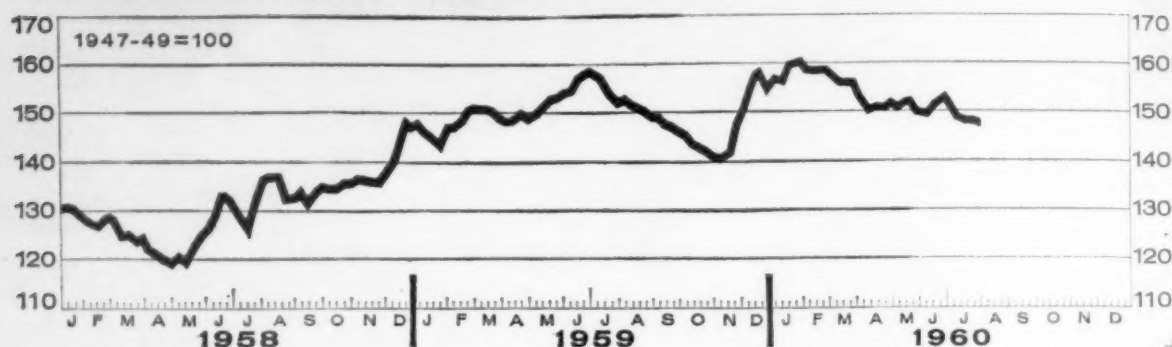
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NUMBER 1614

# FIGURES of the WEEK



## BUSINESS WEEK INDEX (chart) . . . . .

1953-55 Average	Year Ago	Month Ago	Week Ago	\$ Latest Week
133.3	153.5	151.4	148.9r	148.2*

## PRODUCTION

Steel ingot (thous. of tons).....	2,032	318	1,203	1,520r	1,570 +
Automobiles .....	125,553	122,518	125,868	112,179r	107,330
Engineering const. awards (Eng. News-Rec. 4-wk. daily av. in thous.).....	\$52,412	\$76,729	\$97,672	\$87,182	\$85,343 -
Electric power (millions of kilowatt-hours).....	10,819	13,775	14,247	14,425	14,746
Crude oil and condensate (daily av., thous. of bbl.).....	6,536	6,808	6,811	6,855	6,821
Bituminous coal (daily av., thous. of tons).....	1,455	1,226	1,564	1,224r	1,324
Paperboard (tons) .....	247,488	331,482	308,618	310,052	323,825

## TRADE

Carloadings: mfrs., miscellaneous and l.c.l. (daily av., thous. of cars).....	70	54	57	54	54
Carloadings: all others (daily av., thous. of cars).....	47	36	50	47	49
Department store sales index (1947-49 = 100, not seasonally adjusted).....	121	117	124	119r	121 +
Business failures (Dun & Bradstreet, number).....	198	252	278	259	293 +

## PRICES

Industrial raw materials, daily index (BLS, 1947-49 = 100).....	89.2	92.2	91.0	90.6	90.4
Foodstuffs, daily index (BLS, 1947-49 = 100).....	90.5	79.2	77.5	78.7	78.4
Print cloth (spot and nearby, yd.).....	19.8¢	19.5¢	21.1¢	20.2¢	20.2¢
Finished steel, index (BLS, 1947-49 = 100).....	143.9	186.7	186.6	186.2	186.2
Scrap steel composite (Iron Age, ton).....	\$36.10	\$39.83	\$31.00	\$31.50	\$31.83
Copper (electrolytic, delivered price, E&MJ, lb.).....	32.39¢	29.95¢	33.00¢	33.00¢	33.00¢
Aluminum, primary pig (U. S. del., E&MJ, lb.).....	20.6¢	24.7¢	26.0¢	26.0¢	26.0¢
Aluminum, secondary alloy #380, 1% zinc (U. S. del., E&MJ, lb.).....	††	23.76¢	24.14¢	24.01¢	24.00¢
Wheat (No. 2, hard and dark hard winter, Kansas City, bu.).....	\$2.34	\$1.97	\$1.84	\$1.89	\$1.90
Cotton, daily price (middling, 1 in., 14 designated markets, lb.).....	34.57¢	32.50¢	32.24¢	31.70¢	31.27¢
Wool tops (Boston, lb.).....	\$1.96	\$1.90	\$1.67	\$1.65	\$1.65

## FINANCE

500 stocks composite, price index (S&P's, 1941-43 = 10).....	31.64	60.53	56.99	54.54	55.07 +
Medium grade corporate bond yield (Baa issues, Moody's).....	3.59%	5.07%	5.28%	5.16%	5.15%
Prime commercial paper, 4 to 6 months, N. Y. City (prevailing rate).....	2-2 1/4%	4%	3%	3%	3%

## BANKING (Millions of Dollars)

Demand deposits adjusted, reporting member banks.....	††	62,214	58,649	59,258	59,966 +
Total loans and investments, reporting member banks.....	††	104,187	103,424	105,253r	104,723
Commercial, industrial, and agricultural loans, reporting member banks....	††	29,492	32,597	32,142r	31,972
U. S. gov't guaranteed obligations held, reporting member banks.....	††	30,242	25,359	27,428	27,324
Total federal reserve credit outstanding.....		26,424	28,374	27,739	28,437

## MONTHLY FIGURES OF THE WEEK

	1953-55 Average	Year Ago	Month Ago	Latest Month
Consumer credit outstanding (in billions)..... June.....	\$34.2	\$47.5	\$52.8	\$53.5
Installment credit outstanding (in billions)..... June.....	\$25.2	\$36.1	\$40.7	\$41.4
Manufacturers' inventories (seasonally adjusted, in billions)..... June.....	\$45.2	\$52.1	\$55.0	\$55.2
Wholesalers' inventories (seasonally adjusted, in billions)..... June.....	\$10.6	\$12.4	\$13.1	\$13.0
Retailers' inventories (seasonally adjusted, in billions)..... June.....	\$21.4	\$24.8	\$25.2	\$25.3
Exports (in millions)..... June.....	\$1,290	\$1,423	\$1,792	\$1,720
Retail sales (seasonally adjusted, in billions)..... June.....	\$14.5	\$18.2	\$18.5	\$18.6

\* Preliminary, week ended July 30, 1960.  
†† Not available. Series revised.

r Revised.  
‡ Date for 'Latest Week' on each series on request.

THE PICTURES—Cover—Herb Kratochvil; 17—(left) Jim Mahan, (right) Tibor Hirsch; 21—WW; 44-45—Standard Oil Co. of N. J.; 46—Tibor Hirsch; 51, 52—Standard Oil Co. of N. J.; 61—The NMU Pilot; 79, 81—Jo Kotula; 100—WW; 106—WW; 137—(left) Frieden Inc., (right) Clark Bros. Co.; 138-139—Tibor Hirsch.

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**BANKERS TRUST COMPANY, NEW YORK**

**FORWARD-LOOKING BUSINESS  
NEEDS A FORWARD-LOOKING BANK**



What's the real meaning of courtesy in business?

# Wausau Story

at **RED OWL STORES, Inc.**  
Executive offices: Hopkins, Minnesota



**ALF L. BERGERUD,**  
*President  
of Red Owl Stores,*

says people are sometimes surprised by the polite way they're served at Red Owl Stores. He tells about one customer in particular.

When the boy put her groceries in her car and thanked her again, she said: "I don't believe I'll ever get used to this courtesy."

"Ma'am," the boy said, "If you shop at Red Owl, you'll HAVE to get used to it."

Getting used to Red Owl courtesy is an opportunity welcomed by more shoppers right along in the 164 supermarkets in a 10-state area. And the 7000 Red Owl employees serve their customers and work together in ways that prove courtesy is a fine way of living.

Mr. Bergerud says: "The people from Employers Mutuals of Wausau are also guided by *real* courtesy . . . consideration for people, care for their welfare and safety. That's why we've made them carriers of the insurance that most closely affects both our employees and our customers: Employers Mutuals carry our workmen's compensation and our public liability insurance.

"Employers Mutuals helped us develop our safety program so that the rate of our workmen's compensation insurance has been reduced by almost half over a six year period. *How* this was done proves Employers Mutuals people know the real meaning of courtesy.

"If you're an Employers Mutuals' policyholder, that's the type of service you'll HAVE to get used to!"

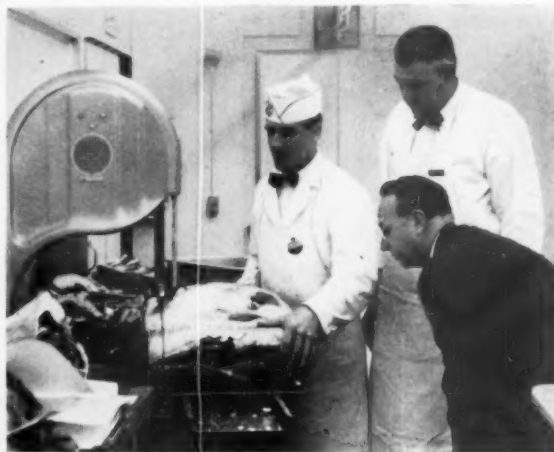
★ ★ ★

*Employers Mutuals of Wausau has offices all across the country. We write all forms of fire, group and casualty insurance (including automobile). In the field of workmen's compensation we are one of the largest. We are proud of our reputation for fast claim service and our experience in preventing accidents. Consult your telephone directory for your representative or write us in Wausau, Wisconsin.*

## Employers Mutuals of Wausau



Courtesy, as Red Owl Employees practice it, is more than "minding your manners." Here courtesy is being helpful and being considerate . . . watching all the details of housekeeping so stores are kept inviting and *safe* too.



Courtesy is consideration for fellow workers and customers, an alertness to hazards that could cause accidents plus training in preventing them. Employers Mutuals' Safety Engineers, like Kenneth Smith here, inspect mechanical equipment in the stores, aid department heads in training employees to work safely.



"Good people to do  
business with"



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BUSINESS WEEK • Aug. 6, 1960

## READERS REPORT

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Dear Sir:

A special salute to you for the exceptional article on public relations [BW—Jul. 2'60, p40]. The piece was informative, perceptive, penetrating, and impartial—in short—good all around reporting and writing. . . .

ANTHONY W. WIRRY

BORG-WARNER CORP.

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Dear Sir:

. . . This is the most informative and constructive article on the subject I have seen. . . .

JOHN W. HILL

HILL & KNOWLTON, INC.

NEW YORK, N. Y.

Dear Sir:

. . . I thought the article was generally excellent, reflecting tremendous research. . . .

ARTHUR NEWMYER, JR.

NEWMYER ASSOCIATES, INC.

WASHINGTON, D. C.

Dear Sir:

The major piece on PR is well designed to show the writing crafts how to cover a complex subject. . . .

JAMES COPE

SELVAGE & LEE, INC.

NEW YORK, N. Y.

Dear Sir:

. . . one small fly in the ointment. That is the fact that the hundreds of small firms whose needs for public relations exist proportionately as much as those of larger corporations may be frightened by the figures which you present on costs. . . .

S. L. AUSTIN

AUSTIN & LANE, INC.

CHICAGO, ILL.

Dear Sir:

. . . It's by far the most comprehensive, the most thoughtful and, therefore, the most accurate piece on our muchly slandered business I've seen to date. . . . My only regret is that the specialized field of financial public relations did not warrant more attention. . . .

ROBERT B. WOLCOTT, JR.

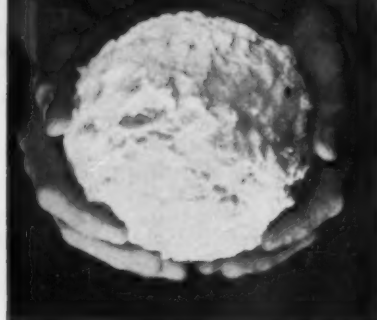
WOLCOTT & ASSOCIATES, INC.

LOS ANGELES, CALIF.

Dear Sir:

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# Peabody gives you the whole ball of wax

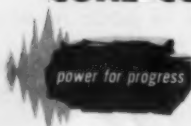


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# PEABODY COAL COMPANY



Peabody Plaza  
301 Olive St.  
St. Louis 2, Mo.

(By the way you forgot to mention the women in your article.) . . .

ERNIE CHRISTENSEN

BOSTON UNIVERSITY  
BOSTON, MASS.

Dear Sir:

. . . I congratulate BUSINESS WEEK for this splendid article. . . .

Knowing the Milwaukee situation quite intimately the comment about it puzzles me more than a little. Most of the companies that are family-held are doing a pretty good job in public relations, but like everything else, there are, of course, exceptions. . . .

K. W. HAAGENSEN

ALLIS-CHALMERS MFG. CO.  
MILWAUKEE, WIS.

Dear Sir:

. . . I believe it's the best roundup on the industry that has ever been done. There are minor grumblings. . . . Some feel the article was New York oriented . . . although we like to feel we do an effective job in our own little, modest way here in the Midwest. . . .

MORRIS B. ROTMAN

HARSHE-ROTMAN, INC.  
CHICAGO, ILL.

Dear Sir:

I believe this otherwise thorough study should have included references to the extra-curricular activities of PR men on committees. It is through participation with worthwhile councils and groups that outstanding PR men have a unique opportunity of projecting corporate philosophy and learning of the philosophy of others. . . .

E. S. WHITMAN

UNITED FRUIT CO.  
BOSTON, MASS.

Dear Sir:

. . . definitely the most comprehensive piece on PR I have ever seen. For years, the top PR man here had a son, who, when filling out school forms, listed his father's occupation as "typist." With the BW story, he can now tout a more truthful description. . . .

ROGER E. AXTELL

THE PARKER PEN CO.  
JANESVILLE, WIS.

Dear Sir:

Congratulations on a marvelous article. . . .

JOHN F. MOYNAHAN

NEW YORK, N. Y.

Dear Sir:

The article on public relations is topnotch—comprehensive, well-balanced, thoughtful—and free of

the ballyhoo and misrepresentations usually found in articles on this subject. . . .

RICHARD P. AXTON

RAYTHEON CO.  
WALTHAM, MASS.

Dear Sir:

. . . the most intelligent appraisal of this business by a top-flight book in many a moon.

KERRY KING

TEXACO  
NEW YORK, N. Y.

Dear Sir:

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BEN F. CARRUTHERS

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NEW YORK, N. Y.

Dear Sir:

. . . one of the most meticulous, comprehensive studies on the profession that we have ever seen. . . .

JUANITA D. SCHILTZ

WRIGHT-PATTERSON AIR FORCE  
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NEW YORK, N. Y.

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Dear Sir:

I'm sure you will want to correct an error in fact in your story in the New Products section, Muffler That Won't Rot Away [BW—Jun. 11'60,p170]. Betteinger has made no agreement with American Motors to coat mufflers and tailpipes for them exclusively. Your story states we have. As a matter of fact no exclusive agreement of any kind has been made with any automobile company.

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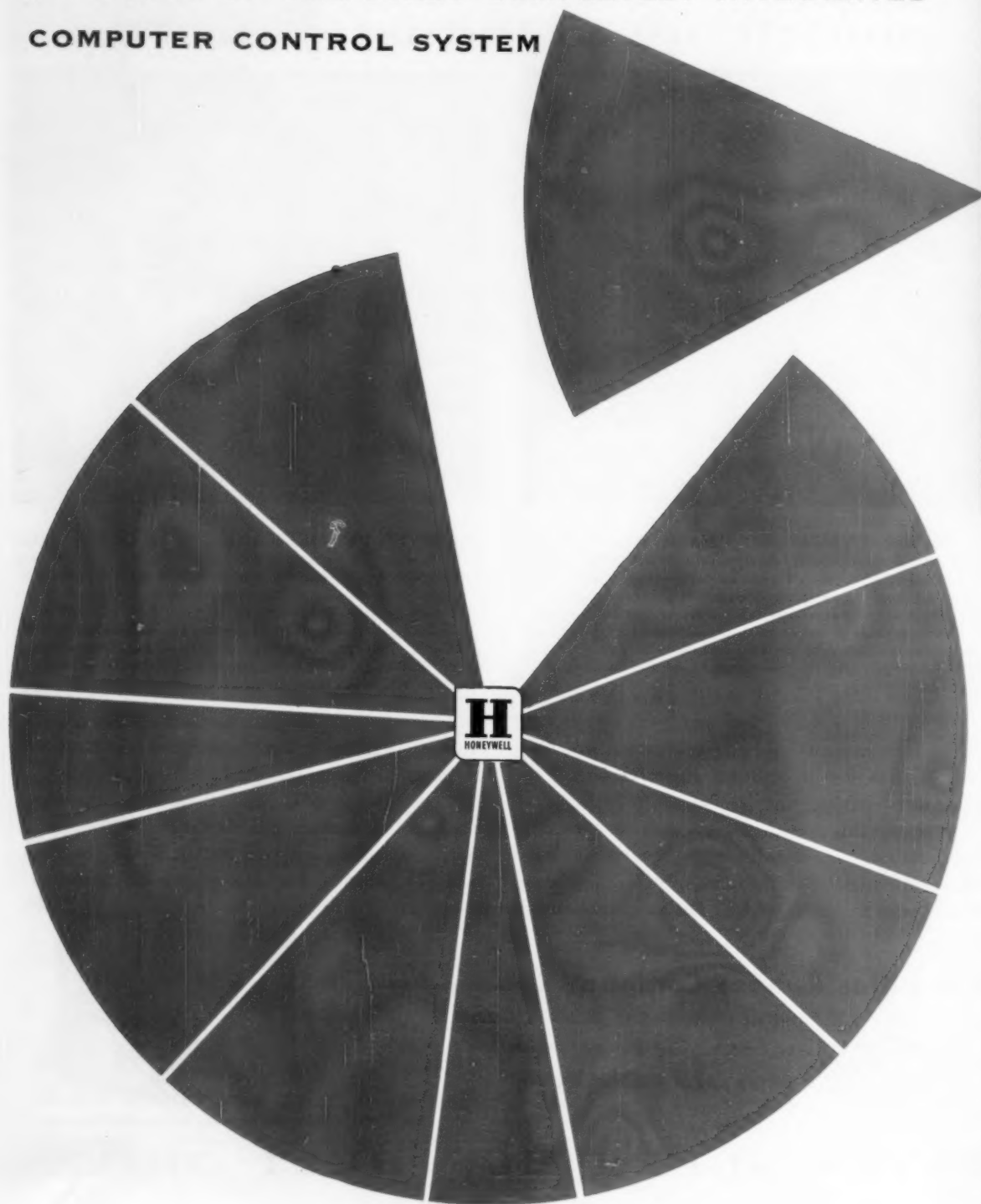


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# BUSINESS OUTLOOK

BUSINESS WEEK  
AUG. 6, 1960



Consumer spending for nondurable goods has been the biggest thing standing between business and recession so far this year.

Exports, it is true, have risen. And government has spent a little more (primarily at the state and local level). But business has been its own poorest customer on the inventory side, offsetting the boost that has come from higher outlays on plant and equipment.

Add it all up, and you come back once again to the consumer.

People have been spending no more for durable goods than their average last year. But they have been buying softgoods at an annual rate of better than \$150-billion, a new high.

This is an increase of about 4% over the first half of 1959.

They may not be getting quite so much for each dollar as last year, considering price trends in clothing and food. Even so, price changes haven't eaten up nearly all the increase in dollar spending.

Rising consumer expenditures in the midst of an "inventory adjustment" is a sort of bootstrap operation (and a very vital one).

The consumer buying is required, in the last analysis, to dispose of the inventory. And if that can be done with rising employment—as has been the case this year—the consumer is pretty much generating the activity that creates the income for his spending.

Not all the consumer buying this year has been paid for out of current income, to be sure. Installment debt has risen nearly \$2-billion so far in 1960 (about \$1.2-billion of this being for autos).

The latest report shows \$41.4-billion owed on installment sales.

Yet, as large as that figure may look, it should be remembered that people are saving, too—at almost a \$26-billion annual rate in the second quarter. That was a billion better than the rate a year ago.

Installment credit for the purchase of automobiles actually has risen a little less this year than it did in 1959's first half.

This is the more surprising because sales of new cars for the period topped last year by about 300,000 or close to 10%.

Of course, smaller cars account for a very large part of this year's sales. This undoubtedly meant lower initial costs and smaller installment loans per unit.

Beyond that, compacts forced down prices—and loans—on used cars.

—•—

Auto production will be declining sharply over the next four weeks as one plant after another goes down for the model change (although two makes—Buick's new compact and Plymouth's Fury—already are going into production).

And there will be no rush to start up where field stocks are high.

This may, in fact, subtract a bit more than in some years from employment and demand on suppliers during the changeover.

Dealers' holdings of new cars were substantially dented in July for 11

# BUSINESS OUTLOOK (Continued)

**BUSINESS WEEK**

**AUG. 6, 1960**

the first time this year. Sales of U. S.-built cars probably were 530,000 to 550,000 against output of only 435,000.

The dent was bigger than planned, however. July output ran substantially below the projected level, mainly because of a strike that shut down several Ford Motor divisions for want of parts.

**Cleaning up the 1960 models** before the new cars are introduced will place very unequal loads on various dealers. Some cars will be stacked up, others will run low long before Oct. 15.

The strike that crimped Ford, in fact, hurt two of the cars that are expected to be in short supply—**Falcon and Comet**.

Others that will get scarce before the new model year, according to Automotive News, are the standard **Chevrolet 6, Dart, and Rambler**.

—•—

Clear evidence that many auto plants are in no hurry to push output of new models comes from the steel industry.

Steelmakers still complain that, though ordering finally has turned up, the rate of new orders is pretty pallid. Particularly slack, they insist, is new business calling for delivery this month. Some even doubt that the rise after Labor Day will be up to expectations.

Output continues to inch ahead, but this week's rate just fractionally above 55% of capacity was hardly exciting.

—•—

Inventory figures hardly indicate, even yet, that there's any big pickup in durable goods output in sight.

The value of stocks at factories turning out durables failed to turn down until June. But it takes some time, after orders are shut off, for materials to be worked through into finished goods and shipped.

And ordering to rebuild stocks of materials always starts a good while before the run-off in finished goods comes to an end.

**These leads and lags make the figures meaningless at this point.**

The first evidence that the pendulum had begun to swing back, as far as inventories are concerned, would be an upturn in new orders. And the steel industry would be the first to feel this, certainly.

That's one reason steel's operating rate should be watched even more closely than usual as an indicator in the next few weeks—why even the steelmakers' mood is an important business barometer.

So far, the level of new orders booked by producers of durable goods as a group is impressive by comparison with anything but the peak periods of past peak years.

Nevertheless, it has traced an erratically downward course ever since December. The most recent figure—a seasonally adjusted \$14.2-billion in June—is about \$1-billion below the average spring month in 1959 and nearly \$2-billion below June of last year.

But those months last year are hardly a normal yardstick; they were the months of inventory buildup before the steel strike.





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Some of today's best new ideas are in rigid packaging, because of the shapes that can be made and their high merchandisability. Shown above is an example of Dow leadership in developing materials for packaging in this field: the look-see Styron® plastic containers for sherbet, that let a shopper see (and practically taste) the flavors and coolness inside. They come in crystal-clear or kitchen-fresh colors . . . do a great selling job for salads and delicatessen foods also. Other Dow

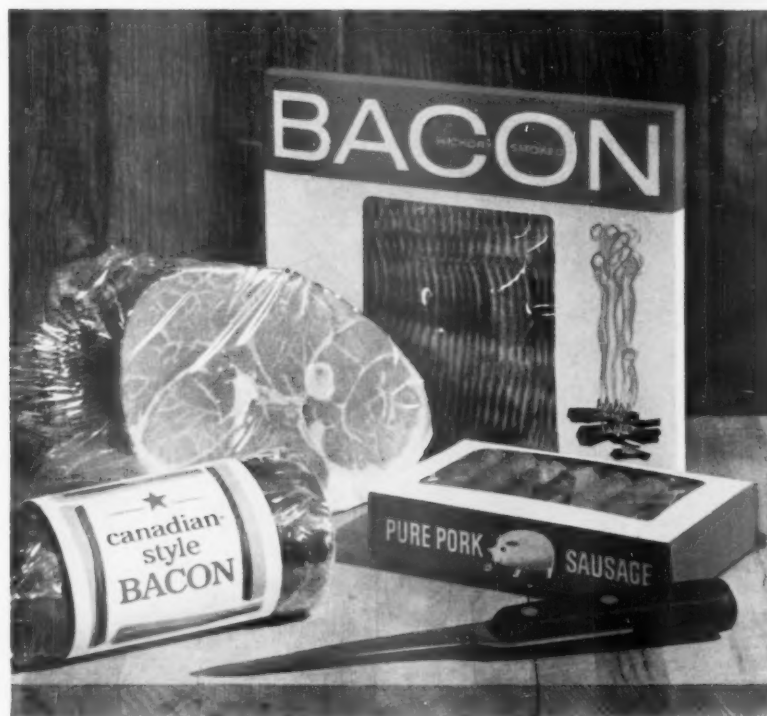
materials at work in some of today's good packages include: the Styron plastic tops and bottoms for cleanser cans . . . Pelaspan® for cushion packaging that controls shock impact and rebound . . . the new break-resistant Styron plastic jars for pharmaceuticals and cosmetics . . . the thermo-formed or drawn blisters for quality specialty packaging from Ethocel® plastic sheeting . . . and dozens more made from strong, chemical-resistant, color-styled plastics.

include: thermo-formed polystyrene for rigid packaging with a sculptured look . . . new latex coatings for better-than-ever color reproduction for coated box-board . . . polystyrene in film form for more attractive, more economical transparent packages. Shown here are some of today's successful packaging applications made better by Dow developments in plastics materials.

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**DEMOCRATIC Sen. John Kennedy** believes that federal spending is key to achievement of 5% annual growth rate.



**GOP'S Vice-Pres. Richard Nixon** insists that the only real surge comes from expanding private enterprise.

## THE CAMPAIGN: I

# Spotlight on Economic Issues

The Presidential campaign of 1960, for which the stage finally has been set, likely will turn in large measure on issues affecting the domestic economy and the extent of federal intervention in it.

Events of the past month—first in Los Angeles at the Democratic convention, then in Chicago at the Republican convention—underscore this appraisal of the situation: The great and dramatic differences between the two parties this year lie in the economic area.

In Vice-Pres. Richard M. Nixon for the GOP and Sen. John F. Kennedy for the Democrats, the voters will be confronted with two Presidential candidates more alike than different in personality. Each is young, energetic, resolute in pursuit of victory, quick to see where political advantage lies and to turn there.

Moreover, while Nixon and U. N. Ambassador Henry Cabot Lodge, his Vice-Presidential running mate (page 20), would like to campaign heavily on international affairs, the fact is that Nixon and Kennedy pretty much agree

on at least the aims of American foreign policy in this decade.

The edge that Nixon and Lodge hold in this area, and will seek to exploit as the campaign unfolds, is one of greater experience in dealing with Russia and other nations in the Communist orbit.

### I. Pocketbook Issues

Unquestionably, this edge will have an important place in the campaign. But there are domestic issues that cannot be begged and that, by Election Day, probably will carry more weight in the outcome—if only because they are the major differences between the men and between their parties.

At issue will be basic questions that touch on such things as the supply of money and credit, the level of taxes, the level of employment, the extent of educational aid, the rate at which new homes are to be built, water resources developed, hospitals erected, highways finished, and city slum and mass transit problems attacked.

Once again, there is little disagreement on basic aims. But what is important and significant is that there is disagreement here on basic methods.

• **Areas of Difference**—From Hawaii to Maine, from this week until the votes are counted on Nov. 8, the candidates and their principal campaigners will be arguing from the stump about the elements of the economy on which all social and public welfare programs are based. Some of the key areas of big difference:

**Economic growth.** Democrats have set a 5% annual rate of growth as a goal. Republicans give growth high priority, but shy away from a precise goal.

**Private initiative and federal responsibility.** The GOP will argue that sound economic growth is based on creation of new job opportunities in private enterprise. The national Democratic leadership will rely more heavily on increased federal spending.

**Taxes.** Neither side is going to promise sweeping tax relief; indeed, neither Nixon nor Kennedy is afraid to sug-

gest the likelihood of higher taxes under certain circumstances. On balance, however, the dominant tone of the GOP approach is tax reform—meaning selected reductions to stimulate heavier investment in capital goods and create more jobs.

**Money.** Nixon and the GOP insist that flexibility in monetary management is necessary, that interest rates should go up to head off inflationary trends and come down to counteract recessionary or deflationary movements. Kennedy and the Democrats talk about going to an easy-money, low-interest policy as one of the early orders of business in a new Democratic Administration.

## II. Issues Defined

Both Nixon and Kennedy were able during the conventions to put their personal marks of identification on the 1960 party platforms, but neither has set out yet to give those documents the all-important individual and precise interpretation that says, in effect, "Now here is what it all really means."

Nevertheless, some major issues are defined. In the rural Midwest, one of the key political battlegrounds of the year, both are prepared to promise new billions of federal aid, mainly for wheat and corn-hog producers.

Kennedy and the Democrats advocate a return to high, rigid price supports for basic crops—including both wheat and corn. And they resist all suggestions that the time has passed when the so-called family farm can hold its own against the bigger and generally more efficient corporate agricultural operation.

Nixon and the Republicans appear willing to match the Democrats in farm country spending, especially over the short range, but they disavow rigid supports (on the ground that these only stimulate surplus production). Nixon has promised to spell out details of his farm proposals sometime in September, but indications are that they will include these three basic points: (1) federal price props that vary from crop to crop, according to the need to encourage or slow down production; (2) a vast new program of land retirement via a system of government rentals; and (3) more aggressive action to get the least productive farmers into useful employment elsewhere.

• **Controversial Growth Issue**—Of all the issues, however, none appears to be more important or more controversial than that which has in the past year or so come to be known simply as "economic growth."

Kennedy and the Democrats are committed to a philosophic policy line—owing in part to Harvard Prof. John Kenneth Galbraith and in part to Leon Keyserling, former Pres. Truman's chief

economic adviser—which holds that federal responsibility for public demands and needs is more important than private consumer demands for luxuries and gadgets.

The theory as explained by Galbraith in *The Affluent Society* is that the nation is wasting its resources in gadgetry. The wealth expended this way should be channeled by the federal government into development of human resources—through better schools, low-income housing, etc.

Off this base, the Democrats in their platform thus are prepared to promise an early loosening of the money supply, the easing of credit, federal underwriting of an annual 2-million-unit housing boom, a massive grant program for school construction, and teacher salary improvement.

In short, having fixed their sights upon the 5% annual growth rate as a "can and must" objective, the Democrats come up with federal spending as a key component in its achievement—that is, this spending will produce growth that will produce much of the added tax revenue needed to pay for the programs that will keep the cycle going by producing more growth to finance more federal-public activity.

Republicans go the opposite route. Nixon's economics—which appear to be influenced mainly by Dr. Gabriel Hauge, Eisenhower's former chief economic adviser, and Treasury Secv. Robert B. Anderson—are more elastic than Eisenhower's, because the Vice-President makes clear that he would go quite a bit further and faster than this Administration in assisting school construction or putting more money into national defense and farm relief.

Nixon is wedded to the policy of flexible interest rates as the best means for checking economic ups and downs. He is much more openly worried than is Kennedy about the threat of inflation, and he subscribes to the tenet that the only real growth is that flowing from new or expanding business and employment in the private sector of the economy.

Nixon will hit hard at what he considers the obvious success of the Administration's policy in checking inflation, as outlined by Eisenhower to the GOP convention. He will point proudly to a budget surplus, to high consumer income, and to the fact that more people are employed than ever before.

• **Labor's Choice**—The Democrats' economic reasoning appeals to the leaders of organized labor who, although they withhold formal endorsement for the time being, will line up on the Democratic side. This week, AFL-CIO Pres. George Meany left no doubt that his organization looks much more kindly upon the Democratic than upon the Republican platform.

Labor's attitude stems in part from the asserted Democratic willingness to go heavily for economic pump-priming by direct federal action, but there are other factors. The Democrats, for example, flatly endorse labor's goal of a rise to \$1.25 in the minimum wage, while the GOP talks only about "upward revision," presumably to a lesser figure. Also, the Democratic platform agrees with labor that medical insurance for the aged should be a part of social security, and it does not contain—as does the GOP platform—any defense of the Taft-Hartley provision that authorizes states to enact "right to work" laws.

## III. National Discipline

If the party platforms mean anything at all—and there is reason to believe that this year, as perhaps in no other recent Presidential year, they do—then it is fair to say that, no matter who wins the Presidency, Dwight D. Eisenhower's successor will try to impose upon the nation a new sense of urgency about facing up to problems here and abroad.

What this means is that federal government will grow bigger, its influence in the economy will extend further, and its demands upon private citizens will come faster.

Under a Kennedy-Democratic Administration, this government growth, extension of influence, and multiplication of demands would come more swiftly and on a much more massive scale than under a Nixon-Republican Administration. But there is scarcely a wisp of doubt that in a Nixon Administration this same trend would set in, and with only a modicum of the reluctance that has been the keynote of the Eisenhower Administration.

• **Nixon's New Image**—An incident in Chicago last weekend illustrates this point about Nixon's new approach, once he was momentarily free from overriding allegiance to the Eisenhower Administration and could perform as his own political man. After a meeting with Midwestern farm leaders, Nixon emerged with a repudiation of the Eisenhower-Benson farm policies and a flat assertion that the financial responsibility for solving the crisis in agriculture rests with the federal government.

During the interlude of the extra Congressional session that begins next week (page 19), this new image of Nixon may tend to get blurry at times. If it does, it will be mainly because as the Vice-President and presiding officer of the Senate he is an agent of the executive in power and, partly, because he is not—and probably never would be—as free-wheeling a spender as Kennedy has indicated willingness to become.

# The First Round Is in Congress

● The short session of Congress just getting under way will be dominated by Presidential politics.

● Both parties will try to ram through legislation that will do their nominees the most good—and will accuse the other side of obstructionism if they fail.

● The big puzzle is the role Eisenhower will play. If he sticks by his policies, he may embarrass Nixon.

Reluctantly and with tempers showing, members of the Senate are back in Washington preparing to close the books on 1960 legislation and to open the books on the 1960 Presidential campaign.

A week from now they will be joined by members of the House, and the effort will be made to ram through at least a half dozen pieces of major legislation before Labor Day.

• **Leading Figures**—Presidential politics will dominate the session. It could not be otherwise: Vice-Pres. Richard M. Nixon, the Republican nominee, will be in the presiding officer's chair. Sen. John F. Kennedy, the Democratic nominee, will be facing Nixon from his desk in the back row of the chamber. Sen. Lyndon B. Johnson, Kennedy's Vice-Presidential running mate, will be operating on the floor in his usual role of Senate majority leader.

The national chairmen of both parties will be on hand: Sen. Thruston B. Morton for the Republicans and Sen. Henry M. Jackson for the Democrats.

To complete the campaign roster, Henry Cabot Lodge, the Republican nominee for Vice-President, has the privilege of going onto the floor any time he wants to because he once was a senator from Massachusetts.

• **Forecast of Doom**—Republicans are saying freely that this concentration of candidates and party strategists dooms the short session.

Even before he was nominated, Nixon observed that Congress is not likely to act "responsibly" or "intelligently" during the period between now and Labor Day.

Sen. Styles Bridges, chairman of the Senate GOP policy committee, gloomily predicts that more politics will be played with legislation in the next four weeks than "at any time in history." All the Democrats really plan to do, Bridges says, is pass legislation that Eisenhower will have to veto.

Kennedy and Johnson insist that it

will be a serious session devoted to "the people's business." They are calling on Nixon to cancel his plans for a quick start of active campaigning, and warn that the voters will punish the Republicans if they adopt obstructionist tactics.

• **Eisenhower's Role**—In all this, the role that Eisenhower will play remains a major puzzle. At his party's Chicago convention, he took occasion to remind the GOP faithful that he still is President, that he has strong ideas of his own about defense spending and social legislation, and to imply that his convictions must be reckoned with. He seemed to be warning the band of eager young Republicans backing Nixon as much as the Democrats.

Unless he can be won over by Nixon, Eisenhower may wind up vetoing legislation that Nixon would rather see signed—a school construction bill, for example, or a compromise bill offering some kind of a medical aid program for the aged.

Eisenhower, who has never had a warm relationship with Nixon, was reportedly furious over the Nixon-Rockefeller compact liberalizing the party platform. (He resorted to epithet in expressing his feelings about Gov. Nelson Rockefeller of New York.) He learned about the 14 points while vacationing at Newport, only after the accomplished fact.

The President may just decide to make "spending" the major domestic issue—a line of attack against the Democrats that worked extremely well two years ago. The Republicans already are warning against a big Democratic spending spree this month.

• **Defense Spending**—Eisenhower may also retain his rigid stand against any increase in defense spending, whereas the GOP platform says the arms program should be accelerated, increased, and intensified. Eisenhower has not yet agreed to spend any of the additional \$1-billion of defense money that was

voted by Congress before the convention recess.

Kennedy has talked about increasing this another \$2-billion or \$3-billion this month. But before he and Johnson disclose their strategy, they are waiting for an answer from the Administration about what it intends to do with the \$1-billion extra Congress already has provided. Johnson has made a formal demand on Defense Secy. Thomas S. Gates for a disclosure.

If Gates says "no" to more spending, Kennedy and Johnson may decide that is all the defense issue they need for the campaign.

Eisenhower is under considerable pressure to soften his stand, however. In addition to Nixon, officials in both the State Dept. and the Central Intelligence Agency believe that a dramatic increase in defense outlays is needed to convince the Soviets that our new talk tough line with them is more than mere bluster.

• **Democratic Hopes**—The Democratic leadership is committed to action in five areas: medical care for the aged, housing, aid to education, minimum wage legislation, and an appropriation for the mutual security program. In each of these, with the exception of mutual security, a collision with Eisenhower seems probable unless Nixon and the Republicans succeed in toning down Democratic programs.

In addition, Kennedy and some of the Republicans are talking about the possibility of farm legislation. Kennedy favors an immediate increase of soil conservation payments, on the grounds that an economic emergency exists in farm areas.

Eisenhower would veto any such proposal. Republicans would like to try to put through a wheat price support bill of the kind Eisenhower would sign—an effort that failed prior to the conventions.

It is also possible that a bill easing restrictions against construction site picketing will be brought up for action. It is now blocked in the House Rules Committee.

• **Explosive Issue**—Civil rights—potentially the most explosive issue of all—has the leaders of both parties worried. Both platforms made promises that eventually will require legislation; the problem in the next four weeks is how far to go beyond the inevitable speech-making.

Kennedy and Johnson are treading with great care. They have pointed out that several committees would be involved in new civil rights legislation,



and that this requires a careful study on their part of where jurisdiction would lie.

If this study were to continue past Labor Day, the problem would be thrown into 1961 and neither Kennedy nor Johnson would be unhappy about that.

Some Northern Democrats, however, and Sen. Jacob K. Javits (R-N. Y.) are pushing for immediate action, at least to the extent of filing bills. Even Senate Republican Leader Everett Dirksen of Illinois, after conferring with Nixon, is talking about the possibility of going ahead with a basic civil rights bill.

If the Republicans were really determined to make a shambles out of the session, nothing could serve their purpose better. But it still seems likely that both parties in the end will be content to rest on the platforms and postpone legislative action.

• **GOP Attitude**—With their big majorities in both House and Senate, the Democrats feel they have to produce some sort of a record over the next four weeks—either a record of legislation accepted by Eisenhower or vetoed by him, and they don't care much which. And Dirksen, speaking for the Republicans this week, made it plain that on most issues his party is not going to do anything to make the Democratic problem any easier.

He spoke up in favor of the House version of a minimum wage bill, for example, calling for a rise to \$1.15 from the present \$1, whereas Kennedy and Johnson favor a jump to \$1.25. Dirksen said some sort of medical aid for the aged seems pretty certain, but flatly predicted that Eisenhower will veto the Kennedy-Johnson version, which aims at putting the program into the Social Security system.

Dirksen also hinted at what Eisenhower's answer to the defense flare-up may be: a request for power to transfer funds already appropriated from activities that are phased out, to those that are being increased. This would protect the present budget and still answer some of the criticism that is being voiced by Kennedy and implied by Nixon.

Only on foreign aid can the Democratic leadership expect any solid help from the GOP. Here, Kennedy and Johnson are embarrassed by a House bill that slashes \$600-million from Eisenhower's request. It is possible, Dirksen says, that the new \$500-million aid program for Latin America may be written into the bill replacing the funds the House eliminated. If the White House makes such a proposal, it is likely to be backed by Kennedy and Johnson as the best way of getting their party's performance on foreign aid to match platform promises.

## THE CAMPAIGN: III

# Lodge Gives Ticket

His selection as Nixon's running mate was based almost wholly on his record in dealing with the Russians.

The choice of Henry Cabot Lodge, Jr., as Vice-Pres. Nixon's running mate is in some ways a strange one. It violates the time-honored rule that a running mate must complement the Presidential candidate, helping him out where he is weakest.

Lodge reinforces Nixon where he is already strong—in foreign affairs—but does little for him where he is most vulnerable: with big union labor and the farmers. But Lodge does provide geographical balance and his age, plus years in political life, strengthened the Republicans' claim that they have more experience to offer in their candidates.

• **United Nations' Record**—Lodge's hard-earned political record on national issues is little known to the public. His selection as Vice-Presidential nominee was based almost entirely on his success in opposing the Russians in the U.N.

Some critical representatives of our allies contend he succeeds more in scoring debating points than in achieving results. However, he has never been on the short end of any vote taken in the U.N. council or assembly. His TV exposure, pointing the accusing finger at Gromyko and Sobolev and forcing showdowns that have been generally favorable to the U.S., have given him an unmatched reputation as fighter against the Soviets. It reportedly was Lodge who advised Nixon before his Russian trip that the way to deal with Khrushchev was to stand up to every argument, advice that led to the "kitchen debate" the Republicans intend to make capital of in this campaign.

• **Key Man**—Lodge, as U.S. ambassador to the U.N., is one of the key half-dozen men in the organization. During the years that John Foster Dulles was Secretary of State, Lodge—like all other U.S. representatives in the foreign policy field—had little leeway in executing U.S. policy, let alone much say in formulating it. But since State Secy. Christian Herter came in, Lodge has had more flexibility.

In the last year or so, as more crises hit the U.N., Lodge has become more of a factor in his own right in counseling on how to counter Soviet moves. Lodge is generally rated highly for his skill in arguing the U.S. side of a half-dozen really tough situations for the U.S. in the U.N.—summit collapse, U-2, Russian spying in the U.S., the Cuba and Congo crises, and the RB-47 plane incidents.

As ambassador, Lodge has profited by his early experience as a newspaper man—a stint with the Boston Evening Transcript and six years in the Washington bureau of the New York Herald Tribune. He tries to answer every Russian charge the moment it is made so the Russians cannot capture a headline before the argument is challenged.

• **Bigger Role**—As Vice-President, Lodge would probably have a bigger role in international affairs than any predecessor. Nixon, if elected, intends to put Lodge in charge of all nonmilitary foreign programs.

Lodge has always been sympathetic to the nationalist aspirations of backward countries, and in fact angered the French with his support of Algeria. He might be instrumental in mediating the differences between the six countries of the Common Market and the seven of the European Free Trade Assn. (Outer Seven).

• **The New Lodge**—On foreign affairs, Lodge was a latecomer to the internationalist view. As senator, he voted against reciprocal trade bills and against amending the Neutrality Act in 1939, branding the European conflict as "not our fight." When he came home from World War II, a lieutenant-colonel wearing the Croix de Guerre and the Legion d'Honneur, he explained that "the Lodge who came back from the war is not the Lodge who went overseas." He came under the influence of Sen. Arthur S. Vandenberg (R-Mich.), whose conversion to internationalism right after the war was even more dramatic and significant than was Lodge's.

• **Family Rebel**—Lodge supported the Marshall Plan, the North Atlantic Treaty, and the United Nations—a record that later earned him the ambassadorship to the U.N.

His U.N. role is a complete turn-about from the career of his grandfather, the famous Sen. Henry Cabot Lodge whom Woodrow Wilson condemned as one of the "little band of willful men" who kept the U.S. from joining the League of Nations. For this reason, young Lodge's liberalism is sometimes described as a rebellion against family tradition comparable to John Kennedy's repudiation of his father's conservative views.

• **Boston Brahmin**—As a campaigner, Lodge will have a hard time overcoming the image of a rather stiff and cold Boston Brahmin. He is unlikely to don



# t Experience in Foreign Field

a miner's overalls and go down in the pits. But in person he can be quite charming. He has always been popular with ethnic groups in Massachusetts. He will talk to a group of textile workers in the French section of Massachusetts in their own language. When campaigning for office, he diligently made the rounds of Polish clubs, factories, and—in the tradition of Boston politics—the Irish wakes. But he always dressed and behaved like a Cabot-Lodge.

• **Political Career**—Lodge's well-publicized defeat by John F. Kennedy in a Senate race in 1952 has obscured an otherwise highly successful record in Massachusetts politics.

In 1932, young Lodge ran against the Roosevelt tide to win a seat in the Massachusetts legislature. The Old Guard Republicans, who considered him a liberal upstart, assigned him to what was supposed to be an obscure committee—labor. But Lodge turned the tables, fought successfully for the state's first unemployment and workmen's compensation, and ingratiated himself with the labor unions of those days. While organized labor never endorsed him in a campaign, it never opposed him. In 1936, he challenged James Michael Curley, the Boston Irish hero, for his Senate seat and won against the biggest Democratic landslide in history. He won re-election in 1942, resigned to become a tank officer in Africa, and was elected to the Senate again after the war, in 1946.

His defeat by young Rep. Kennedy in 1952 can be explained partly by his neglect of the home hustings while he campaigned around the country for Dwight Eisenhower. Also, the conservative GOP in Massachusetts (Lodge called them "the zombies") had been alienated by his support of Eisenhower against Robert A. Taft for the nomination.

It is one of the ironies of politics that if he had not been defeated he would not have become U.N. Ambassador and probably would not be the Vice-Presidential nominee now.

• **A Liberal**—Lodge has been identified with the "liberal" wing of the party on domestic affairs from the beginning. He steered a middle course on the McCarthy issue, emphasizing the need for a fair hearing for anyone accused of disloyalty but recommending stronger procedures for ferreting out Communists in government jobs. He lost his Senate seat before the McCarthy issue came to a head.

In the Senate, he voted for the Taft-Hartley Act but also fought unsucces-



WHEN KHRUSHCHEV toured the U.S., Lodge kept close to him as a host and an interpreter of the American way of life.

fully against use of injunctions in strikes and against a ban on industrywide bargaining. He generally favored public housing and slum clearance bills and some proposals for federal aid to education.

While Lodge is "square" with labor for the most part, his support of many of their causes is so far in the past that it will do little for him in 1960.

• **Blue-Blooded Scion**—Lodge is inevitably compared with Kennedy as the scion of a wealthy Boston family. But the comparison can be overdone. The Kennedys are nouveau riche in Boston society.

The Lodges are almost as blue-blooded as the Lowells and Cabots but are by no means as wealthy as the Kennedys. The Lodge wealth comes entirely from the Vice-Presidential

nominee's great-grandfather, John Elberton Lodge, who ran away to sea at the age of 12 and eventually built up a fleet of clipper ships in the China trade. Lodge's son, Asst. Secy. of Labor George Cabot Lodge, insists that "we're not millionaires," whereas the Kennedy wealth is estimated at \$300-million or \$400-million.

The ambassador is an enthusiast of water sports. He rowed in intramural sports at Harvard. The family home he built at Beverly, Mass., faces the sea, and Lodge loves to take his 16-ft. aluminum outboard (a far cry from Kennedy's 62-ft. yacht) out for spins.

The ambassador looks much younger than his 58 years and is a man of unbounded energy—energy that he expects to use unsparingly in the coming campaign.

# Waiting for Chrysler to Drop

● Investigations of executive-supplier relationships are moving slowly, and the suspense builds up.

● Some details are now on the record, and hindsight suggests why such things have happened at Chrysler more than at Ford, General Motors, or other auto companies.

● Meanwhile, Colbert says he's under instruction not to talk, and the board doesn't plan to meet in August.

Chrysler Corp.'s president and chairman L. L. Colbert and his board of directors this week are doing a delicate balancing act while more than 200,000 employees, stockholders, and suppliers hold their breaths. Admittedly, more employees than just former Pres. William C. Newberg have been involved in conflicts of interest, but the board is moving with slowness to identify them and to act.

Meanwhile, employee morale is close to scraping bottom, with engineering and purchasing department people in particular casting sidelong glances at their neighbors; at least one stockholder has asked for a court order to let him quiz Chrysler officials, and Chrysler suppliers are muttering that ethical, conscientious businessmen are under suspicion until Chrysler names all those involved and thus absolves all others.

• **More on Fire**—Late last week, after linking discharged Pres. Newberg with two companies that sold parts to Chrysler, Colbert admitted that another Chrysler executive's outside business affairs were being investigated by attorneys and accountants. They also were studying whether there was anything improper in the outside interests of Jack W. Minor, director of marketing for the Plymouth-De Soto-Valiant Div., who until recently was an officer of an outdoor advertising company that handled some P-D-V business.

In New York City, Robert Markewich, a small holder of Chrysler stock and an attorney specializing in keeping corporations toeing the mark, asked the state Supreme Court to compel seven Chrysler officers to produce records that would show whether the stockholders have a case against management for recovery of money paid employees by suppliers.

• **No Hurry**—At midweek, a Chrysler spokesman said there was no plan to hold any more board meetings until September. The seeming deliberateness with which Colbert is following up the Newberg disclosures puzzles his employees and suppliers and executives of other auto companies—although the

answer probably lies in his own comment that the investigation is being done by "outside people" and that they "tell me to say no more than has been said."

• **Minor's Case**—Particularly puzzling is the lack of any resolution of Minor's future.

A young, ambitious man, Minor had formed a company to place advertising on the rear of Detroit taxicabs before joining Grant Advertising, Inc., in 1952 as an executive on the Dodge account. In 1953 he went to Dodge Div. as director of advertising and since then has had other division merchandising and sales posts that gave him some voice in placement of advertising. Until some time this year he retained his interest in the company that placed advertisements of Chrysler-built cars on the backs of taxicabs.

Minor says his outside interests were known to his superiors when he went to work at Chrysler. His superior, the boss of Dodge when Minor went there, was William C. Newberg.

## I. Story of Sango

In a brief note at the end of its first-half financial statement last week, Chrysler identified Newberg's outside interests as Press Products, Inc., and Bonan Co.—and made it possible to document a sort of 20th Century morality play about a pair of poor boys who tried to get rich fast.

William C. Newberg, 49, is a big, muscular man who grew up on a farm north of Seattle, Wash., and scrambled up the ladder of industrial responsibility by being a little tougher and working a little harder than his competitors. He formed a link with Colbert at the Dodge aircraft engine plant in Chicago during World War II. As Colbert, chosen years before as top management material by Walter P. Chrysler (BW—Apr. 30 '60, p128), moved up, Newberg followed after—right into the president's office last Apr. 28.

Ben Stone, 53, is a Detroitier who knows his way around many businesses.

He has been a manufacturer's agent; an officer of a tool and die company, a steel supply company, a lumber company, a home construction company, a construction supply company—and a few others.

• **Getting Together**—In 1952, the paths of Newberg and Stone converged. At that time they lived near each other in the Detroit suburbs. Newberg was president of Dodge Div. of Chrysler—although that title is a misnomer; in those days a Chrysler division "president" was more of a works manager.

On May 29, 1952, Ben Stone incorporated Press Products, Inc., with a paid-in capital of \$150,000. According to Chrysler, Newberg got a 50% share of the profits of Press Products. The company was formed to manufacture small parts for Chrysler cars—parts, it is said, that Newberg was having trouble getting.

In 1955, Press Products' assets and name were sold to Atwood Vacuum Machine Co. of Rockford, Ill. Just before the sale, Stone changed the name of his company to Maple Mfg. Co., which he says was "just a name to use to dissolve the company." However, the name was changed in February, 1955, and the company was not dissolved until January, 1956. The annual report of Maple, filed with the Michigan Corporation & Securities Commission and dated May 15, 1955, showed the company assets at \$563,829, including \$185,725 in cash and \$149,688 in "investments."

When Maple finally was dissolved, Newberg signed the certificate, along with Stone and Stone's wife, as one of the three who together held "at least three-fourths of the outstanding stock."

• **Another Company**—Meanwhile, on May 31, 1955, Stone had incorporated Bonan Co., also as a manufacturer of small parts for automobiles. Chrysler said Newberg also got 50% of the profits of Bonan. In September, 1958, Stone says, Bonan's assets were sold to Allen Industries, Inc., a large Detroit company manufacturing automobile interior items for Chrysler and other auto companies. One unofficial report puts the selling price at \$250,000.

Stone was named a vice-president of Allen; his technical and manufacturing ability is highly praised by Allen's Chmn. J. J. Tobias. Stone is still a consultant to Allen, although he resigned as a vice-president on July 11 because, says Tobias: "He had information that something was coming up and said it was important he resign because he did not want Allen to be involved by association."

Newberg was fired on June 30. On

# the Other Shoe

July 21, Chrysler announced he had agreed to give back \$450,000; on July 28, Chrysler identified Press and Bonan as Newberg's outside interests.

• **And Sango**—The Stone-Newberg story, however, did not end with the sale of Bonan assets to Allen. On Jan. 7, 1959, Stone filed a certificate of amendment to Bonan's charter, changing the name to Sango Co. A report to Michigan's Corporation Commission on May 31, 1959, described Sango's business as "oil and natural gas production outside the state of Michigan."

However, of total assets of \$964,893, the report shows \$629,948 located in Michigan and \$337,945 outside the state. Stone says those figures are far out of date but will not disclose in what manner.

In Detroit, there is considerable discussion over what the letters in "Sango" represent. A knowing source says they stand for "Stone and Newberg Gas & Oil." Stone reports: "I don't care what people say it means. I named it and I can tell you what it means. It means 'Stone Gas and Oil,' but you couldn't pronounce it with the letters that way, so I changed them around."

Stone will not say whether he and Newberg are still business associates. He says, "Ask Mr. Newberg." When Newberg is asked any question whatever, he recites the statement issued by his attorneys on the day Chrysler announced the repayment agreement.

## II. A Matter of Policy

Above those questions is the more unsettling one of how outside relationships such as Newberg's could develop at Chrysler. On that there is some guide.

The basic trouble, apparently, is a familiar one at Chrysler: lack of soundly based policies that are well understood and followed, together with a mechanism for accommodating exceptions.

• **Different From Others**—At Ford and General Motors, everything is nicely balanced out—due principally to years of experience at GM and to the cost accounting and analysis foundation on which Ford has been rebuilt since 1946. At Ford and GM, the extent of and limitations on engineering responsibilities, purchasing responsibilities, and all the rest are well-known and adhered to. The upper echelons have exercised authority and responsibility long enough to notice the least drift away from course.

There are enormous differences at Chrysler. Cost accounting and cost

analysis are hardly five years old. Chrysler, too, has its 20-year men, but, they have not become experienced in the way Chrysler is trying to do business now—the GM-Ford way.

• **Engineering Dominates**—After the big restyling in 1955, Chrysler decided to regain its former reputation for top-flight engineering and quality. The engineers were enshrined. The feeling ran through the corporation that the sales success of the product depended upon the engineers. "If this is going to be a top-notch product," the engineers would say to themselves, "we must test every part and be sure it is the right kind of part and be sure it is made properly."

Such praiseworthy diligence made hash of purchasing procedures. Like GM and Ford, Chrysler specifies competitive bids. It puts up all the usual safeguards. It has a department to analyze purchase orders, and it works hard at building and maintaining friendly relations with suppliers. But as long as the engineers feel that the finger is pointed at them, they will specify parts by manufacturer's name because they have had experience with those parts and know they work.

That, combined with a heritage at Chrysler of executive relationships with suppliers, has been an open invitation to some men to get in on an insured market.

Newberg is represented as believing that his interests in Press Products and Bonan were good deals for Chrysler because the products would be of high quality—and Stone apparently was a first-class manufacturer.

## III. Too Many Owners?

Chrysler people make a great point of the fact that Chrysler's ownership is not concentrated in small groups. More than 90% of its 84,500 stockholders own 100 shares or fewer and no shareholder of record has as much as 1% of the outstanding common stock, which totals 8,750,000 shares.

This is supposed to prove it is a really free corporation, operated for the benefit of all and not for a few big holders.

• **No Big Voice**—Just lately some people inside Chrysler have been taking a second look at that boast. For, in point of fact, no one on the board can speak for a large block of shares.

At Ford, the foundation and the family wield the power. At GM, even when the du Pont ownership is left out of consideration, holders of enormous amounts of stock sit on the board. At Chrysler, no one with the money-inter-

est of a Charles S. Mott (who holds approximately \$100-million worth of GM stock) sits at the board table to ask questions of management as Mott can and does do).

• **Chrysler's Board**—On the Chrysler board, the largest single holder of stock is Juan T. Trippe, president of Pan American World Airways, with 7,000 shares (worth around \$300,000 at this week's price).

James C. Brady, an associate of the founders of Chrysler and a real estate investor, heads a company that owns 21,350 shares of Chrysler. He also has been reported to be the representative on the board of the Chrysler family holdings.

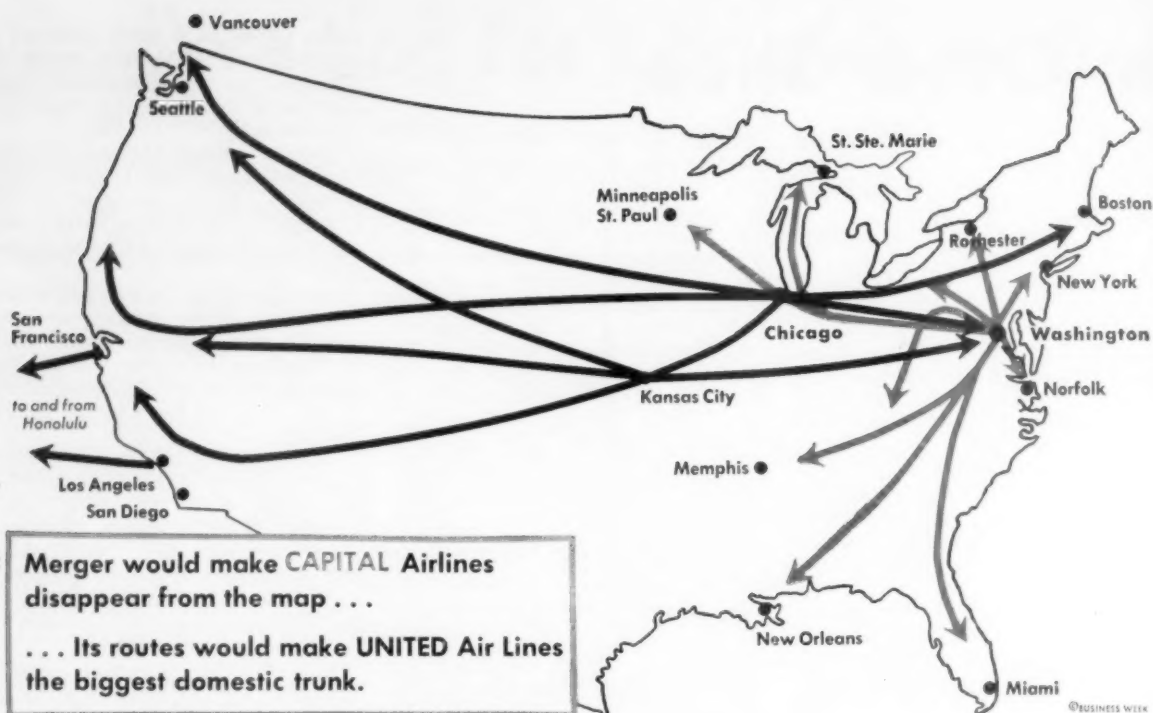
Of the other Chrysler board members, the largest shareholders are Colbert, 2,544 shares; W. Alton Jones, chairman of the executive committee of Cities Service Co., 2,000 shares; C. L. Jacobson, Chrysler vice-president, 1,658 shares. Newberg was listed in the 1960 proxy statement as owner of 2,189 shares.

The other board members are: Paul Ackerman, vice-president, engineering, 424 shares; R. S. Bright, vice-president, automotive manufacturing, 729 shares; Joseph M. Dodge, chairman, Detroit Bank & Trust Co., 100 shares; John D. Leary, vice-president, personnel, 250 shares; George H. Love, chairman, Consolidation Coal Co., 200 shares; L. F. McCollum, president, Continental Oil Co., 200 shares; Neil McElroy, chairman, Procter & Gamble Co., 200 shares; R. E. McNeill, Jr., president, Hanover Bank, 100 shares; F. W. Misch, vice-president, finance, 710 shares; Robert G. Page, president, Phelps Dodge Corp., 200 shares; E. C. Quinn, vice-president, 257 shares; E. C. Row, first vice-president, 200 shares; Lynn A. Townsend, vice-president, international, 200 shares; Louis B. Warren, counsel, 200 shares; L. I. Woolson, vice-president, 413 shares.

• **New Direction**—It is this kind of fractionation of ownership on the board that builds a platform for Sol A. Dann, the Detroit attorney who for two years has been urging Colbert and the board to investigate the management. Dann, according to Chrysler's proxy statement, holds 5,100 shares of stock. Similarly, the fact that Markewich, the New York attorney who filed the disclosure petition, holds only 100 shares doesn't give him any smaller stake than that held by some Chrysler directors.

Dann and Markewich were scheduled to meet in midweek; both claim that other stockholders are interested in participating in any court action. So Chrysler may yet get some direction from stockholders, but it probably won't be what Colbert would hope for if he had any choice.





# Capital Flies Off the Map

Its absorption by United Air Lines—if stockholders and CAB approve—will end its long financial distress.

When Thomas D. Neelands, Jr., got on the board of Capital Airlines back in 1948, he began fighting to merge Capital with another airline. Though it is the nation's fifth largest airline, Capital has been in financial trouble most of the time since its formation in 1927 as Pennsylvania Airlines & Transportation Corp. It has been unable to generate enough money to swing new plane purchases, match customer services of competitors, and pay shareholders a dividend.

Though Neelands, for many years Capital's finance committee chairman, was convinced merger was the only way out, other board members weren't. Capital met financial difficulties time and again with refinancing programs that got it further into debt. Finally, Neelands resigned in 1958, along with two other committee members.

• **Finally a Merger**—Last week Neelands finally had his way. At a press conference called in Washington, Pres. W. A. Patterson of United Air Lines disclosed one of the best-kept secrets in aviation this year: United proposed to absorb Capital.

The acquisition would be the biggest consolidation in commercial airline his-

tory, if it gets the approval of the Civil Aeronautics Board.

United would get 75 of Capital's fleet of 90 planes, its property, and—most important—its routes (map). It would also be able to use Capital's 1959-60 losses to offset taxable earnings. Capital stockholders and creditors would get United stock worth \$28.8-million, plus warrants to buy United common at prices above the current market.

• **Viscount Purchases**—The events that led to the merger proposal came to a head last May, though the stage had been set for many years.

In the mid-1950s Capital was prospering. In 1955, it began buying the Viscount turboprop plane made by Vickers-Armstrongs, Ltd. Today it owns 56 of them. For a time, the Viscount gave Capital a jump, but soon the plane's limited capacity of 44 seats and Capital's multiplicity of short-haul routes began to tell.

The Viscount found itself pitted against big DC-6Bs and DC-7s, then against the Electra turboprop, finally against pure jets. Meanwhile, Capital had expanded its routes, but most were still short hauls; Capital's average route is only 255 mi. As a result, between

1956 and 1959 Capital lost \$6-million.

• **Spring Crisis**—The crisis came this year. Of the \$33.8-million Capital owed Vickers on Apr. 30, \$13-million was overdue, \$14-million was due the next 12 months, and Vickers threatened foreclosure (BW—Apr. 23 '60, p. 78). In the first quarter, Capital showed a \$5.4-million deficit; its six months' statement, not yet out, will show a loss close to \$8-million.

• **To the Rescue**—It was after the disastrous first-quarter report that Neelands, in May, reappeared at Capital by invitation of its board. Earlier in the year, Capital's board chairman, 71-year-old George Hann, had stepped down, and Washington lawyer Charles Murchison, who besides Hann is the company's other principal stockholder, tried to take over. But other board members refused to accept Murchison, instead sent Capital Pres. David H. Baker to Neelands last April "looking for ideas to get out of the fix."

Says Neelands: "They had no plan at all. They were just waiting for it all to land on its head. I hated like hell to see them just standing waiting."

Neelands told Baker that he did, indeed, have an idea, but he "wouldn't touch Capital unless conditions were met." The conditions were that Neelands be made chairman with approval of all the members. He demanded and



got power to negotiate as a lone wolf "until I had the whole package." On May 18, Neelands took over.

• **Placating Vickers**—He had already chosen United as the airline that "could swallow Capital's debt," though other carriers, he figured, could also have used Capital's route system profitably. But before approaching United, Neelands had to persuade Vickers to accept the idea of merger, then to cancel or postpone \$10-million or so of the \$33.8-million debt.

Vickers agreed on June 18. Under the terms disclosed last week, Vickers is to get \$15.9-million of United's 5½% preferred stock and 7½-year warrants to purchase 200,000 shares of United common at \$45 a share. It also took back 15 of Capital's Viscounts, valued at \$450,000 each. In all, Vickers will get about \$22-million at current market values of paper and planes.

The alternative for Vickers—sending Capital into bankruptcy through foreclosure—would have tied Capital up completely, its planes not flying and generating no funds at all. Worse, 56 Viscounts would have had to be sold in a saturated used plane market.

• **United's Gain**—United Air Lines stands to add 6,500 mi. to its own 14,000 route miles. Though much of this mileage is duplication, it would give United the biggest system of all domestic carriers. The deal also gets United into the Florida market from the Midwest, reduces competition and some stopover restrictions on routes the two lines fly side by side.

The third part of the three-corner deal devised by Neelands gives Capital stockholders one share of United common, quoted before the announcement at 28½, plus a five-year warrant to buy 1½ shares of United at \$40, for each seven shares of Capital common, quoted 7½. Holders of \$12-million worth of Capital's 4½% debentures, due in 1976 and now convertible into 33½ shares of Capital common, will be offered 20 shares of United common for each \$1,000 face amount of debentures.

Stockholders of United and Capital will vote on the proposal this fall.

• **CAB Action**—CAB hasn't acted on a merger involving a trunk carrier since it let Eastern Air Lines absorb Colonial in 1956. But CAB members have hinted that consolidation may be one answer to the plight of airlines, which lost \$24-million in 1960's first quarter.

Another sign favorable to the merger is the absence, so far, of any firm opposition to the proposal from rival airlines. Some competing carriers, in fact, approve the merger, believing a Capital collapse would threaten all future airline financing. In a merger-minded industry, CAB's approval of the Capital-United wedding also would be a welcome sign for other deals.

## Rail Mergers Hit Labor Snag

Merger-minded railroads are faced with union claims that federal law requires a long-term guarantee of jobs for all employees affected.

Railroad brotherhoods are demanding that carriers that merge guarantee the jobs of all employees affected for at least four years. To roads with an urge to merge in order to effect operating economies, this demand—which has legal support—is a potential roadblock in the way of mergers.

The stake is thousands of jobs for the unions, millions of dollars in savings for the carriers.

• **Rail Mergers**—During the past few months, a score of major carriers have given serious consideration to merger proposals that could reshape the industry (BW—May 28/60, p34). Their goal is the elimination of duplicated facilities and services, to relieve the squeeze applied on carriers by rising internal costs and intensified competition.

There is growing agreement that mergers are highly desirable. But, according to the Association of American Railroads, merger-minded managements are confronted with "formidable obstacles" to consolidation. Not the least of these is labor's opposition to mergers, supported by the Interstate Commerce Act.

Under the federal statute's Sec. 5(2) (f), the Interstate Commerce Commission, as a condition of its approval of any merger, must require a "fair and equitable" arrangement to protect the interests of all employees affected by a consolidation.

The formula for cushioning the impact of a merger on jobs can be worked out by the Commission or devised, in negotiations, by the carriers and their unions. The practice in the past has been for railroads and unions to get together before a merger to work out terms for protecting job rights. This was done in several minor mergers earlier this century and in the only major rail merger approved in recent times, that of the Norfolk & Western and the Virginian last year.

• **Current Test**—The current test of this decades-old provision of the law involves the proposed merger of two major Eastern carriers, the Erie and Lackawanna, into a single system. The roads estimate that consolidation could save them \$40-million during the next five years and \$13.5-million a year thereafter. They say that every day a merger is delayed costs them "at least \$35,000."

If the Lackawanna-Erie merger is accomplished, some 4,000 employees would be affected. Up to 2,000 jobs would be abolished.

The unions' Railway Labor Executives' Assn. invoked the Interstate Commerce Act because of this threat to jobs. It formally requested the ICC to require a guarantee of the "preservation of employment of all employees who would be affected for a period of at least four years after the Commission's order of approval."

Labor witnesses told an ICC hearing that "the plain language of the statute, the unequivocally and unusually clear legislative history, and its interpretation by the U. S. Supreme Court" require such a guarantee. Similar protection was negotiated by rail unions and the Norfolk & Western and the Virginian when they merged in 1959.

• **Roads Object**—The Erie and Lackawanna refused to negotiate such a plan. Their spokesmen told the ICC that the carriers object "on principle" to such a long-term guarantee of jobs. They contended that it would be "contrary to all precedent" if the ICC should order four years of job stabilization.

H. J. Blond, an ICC examiner, set forth conditions under which a merger could occur, including cash benefits for those whose jobs are abolished. The roads are willing to comply with these recommendations.

The unions' spokesman before the ICC, William G. Mahoney, the RLEA attorney, counter-argued that "compensation alone is no longer sufficient in the face of the immediate prospect of decimation of railroad employment because of the gigantic mergers now on the horizon."

The Railway Labor Executives' Assn. asked the Commission to hold up the merger until the two roads agree to the four-year job freeze. The ICC took the matter under advisement.

The union strategy is designed to win something beyond severance pay for displaced workers; it's not intended to block mergers altogether. George E. Leighty, president of the RLEA, said realistically, "I've never known the ICC to deny authorization to merge because of union opposition. It would take more opposition than we can generate to stop a merger."

• **Others Involved**—Job security will be an issue in other proposed consolidations if the roads refuse to meet labor's terms for job stabilization. The unions already have served notice of this in connection with the merger plans of the Great Northern and Northern Pacific and of the Atlantic Coast Line and Seaboard.

**The Flow of Defense Money**

Contracts Awarded

Money Paid Out

Billions of Dollars

1959 1960

Month	Contracts Awarded (Billions)	Money Paid Out (Billions)
Jan 1959	3.4	3.0
Feb 1959	3.1	2.9
Mar 1959	3.4	4.2
Apr 1959	3.5	3.2
May 1959	3.1	2.6
Jun 1959	4.0	6.0
Jul 1959	3.4	2.9
Aug 1959	3.3	2.4
Sep 1959	3.3	3.7
Oct 1959	3.5	3.6
Nov 1959	3.2	3.0
Dec 1959	3.8	3.4
Jan 1960	3.0	2.5
Feb 1960	3.4	3.0
Mar 1960	3.5	3.8
Apr 1960	3.3	2.9
May 1960	3.3	2.9
Jun 1960	3.4	5.2
Jul 1960	3.4	3.4
Aug 1960	3.4	3.6
Sep 1960	3.4	3.6

©BUSINESS WEEK

Direct spending isn't immediately affected—it will still be about as planned. But military orders are being let at a faster clip.

This won't show up immediately, however, in the level of expenditures. Actual military spending this year is still scheduled to run at roughly the same rate as in fiscal 1960, without any appreciable change in the seasonal pattern of outlays. However, the higher volume of new orders should spur business activity. Contractors will begin to line up subcontractors, to buy from suppliers, and perhaps to hire more labor in anticipation of work that's on the horizon.

This year, however, the apportionment process was speeded up, allowing the service a head start to place new orders. For one thing, in its pre-convention rush, Congress approved a final

On the Administration's side, the apportionment mechanics have been simplified—to the mild amusement of some Pentagon insiders who say this is what always happens in an election year in order to step up contracting.

But the decision has been made to use some of the extra money to order five Polaris submarines this year, in-

• **Next Year's Budget**—The Pentagon, meanwhile, has begun the massive chore of grinding out the budget for fiscal 1962. This will go to Congress in January. Spending plans of the individual services are scheduled to be ready by mid-September for joint re-

# How Tie Line telephone service:

- improves market coverage
- centralizes inventory

## **Take Schnitzer Alloy Products Co., for instance:**

This Elizabeth, N. J. manufacturer of stainless steel nuts, bolts and fittings reaches its Philadelphia and Hartford markets by telephone Tie Line service—instead of setting up branch offices and warehouses in those cities.

By calling local numbers, customers in the Philadelphia and Hartford areas can reach Schnitzer headquarters over direct telephone lines, just as if it were a local office. "Besides," says Albert Schnitzer, Vice President, "customers like to deal with headquarters—direct."

Advantages: Better, more personal market coverage at less expense, centralized inventory which produces savings.



**Direct telephone Tie Lines** extend from Schnitzer headquarters in Elizabeth, N. J., to Philadelphia and Hartford, in effect giving the firm "branch offices" in those cities.

.....

**Get full details—FREE.** Call your Bell Telephone business office and ask about Tie Line service. Full details will be furnished promptly. No obligation

**BELL TELEPHONE SYSTEM**



view by the Defense Comptroller's office and the Budget Bureau. By Thanksgiving Day, a budget draft will be in shape for approval by Pres. Eisenhower and the National Security Council.

At this point, the President-elect will come into the picture. If he is Richard Nixon, the Republican candidate, he will probably be afforded the chance to rejuggle some of the figures to his own liking. If he is the Democrats' John Kennedy, he will get a chance only to look over Eisenhower's shoulder and educate himself on budget details. The budget document sent to Congress would be Eisenhower's. Kennedy could amend it after January.

• **Upward Push**—This year's budget preparations are shadowed by the commitments of both candidates to increase defense spending above the \$41-billion annual level spent by Eisenhower in the past two years and planned for the current fiscal year. The Nixon-Kennedy defense views create an element of uncertainty for all the budget paper-shuffling now under way in the Pentagon and cloud the spending outlook for individual programs.

But the Pentagon's budget people are using a technique, partially begun last year, aimed to simplify any major revamping the new President would want to do.

• **Four Levels**—The services have been instructed to prepare their estimates in what one top-echelon budget official calls "four strata." Each level assumes a different volume of authorized spending.

The basic budget level is geared essentially to the current rate of spending and contract-letting for each service. The services must squeeze their plans within these amounts, thus must include only top-priority projects. This is the budget that represents present Eisenhower defense policies.

The services are then allowed three other assumed budget levels, each progressively higher. These amounts allow the services to expand the scope of the top-priority projects and to add funds for lesser-priority programs.

No matter how wide-sweeping a new President's defense changes might be, most Pentagon fiscal experts doubt that actual outlays in fiscal 1962 could be boosted much more than \$1.2-billion—or about 3% above current expenditures. That's because next year's outgo of defense money will be substantially tied to the policy decisions made, and contracts placed, by the Eisenhower Administration.

Still, there is the significant economic impact of new defense orders. A new Administration could provide a rapid boost for the national economy simply by cranking out lots of new contracts. The checks could be paid later on.

## Toothpaste Ad Battle Looms

Procter & Gamble is expected to make the most of the endorsement of Crest by American Dental Assn., an action that has stirred up the animosity of P&G competitors.

Procter & Gamble Co. this week was laying plans to exploit a unique advantage—endorsement of its fluoride toothpaste, Crest, by the American Dental Assn. as an effective decay preventive if properly used—in what is certain to be an all-out battle of toothpaste brands.

A P&G spokesman denied a batch of Madison Avenue rumors about what tack it will take in using the ADA recognition, adding: "Plans are not at all firm at this time. Frankly, we don't yet just know what we will do. Ethically, we can refer to ADA approval in our advertising so long as it is not objectionable to ADA and we do not read more into their statement than is there."

But just about everybody, including competitors and the investing public, which bulled P&G stock up 11 points in two days, expects the big soap manufacturer to take as much competitive advantage of the ADA action as it can. P&G already is the nation's No. 2 advertiser spending well over \$100-million annually on promotion of its products. In 1958, the latest figures available from Advertising Age's compilation of the 100 biggest advertisers, P&G was listed as having spent about \$3-million for its Gleam toothpaste and something under \$2-million for Crest.

• **ADA Statement**—ADA's endorsement of Crest came in the Aug. 1 issue of the association's professional journal, which reported on the evaluation of tests made by the University of Indiana Dental School and dentists in the Minnesota Dept. of Health. The ADA statement said: "Crest has been shown to be an effective anti-carries dentifrice that can be of significant value when used in a conscientiously applied program of oral hygiene and regular professional care."

It pointed out that Crest contains stannous fluoride, with a specific formula, which other toothpastes used as controls in the test didn't contain. Brisk, Colgate-Palmolive's fluoride toothpaste and the only other major toothpaste that uses fluoride, contains sodium fluoride.

Presumably other toothpaste manufacturers can compound a stannous fluoride product. But Dr. J. R. Doty, assistant secretary of research and therapeutics at ADA, pointed out that before ADA could endorse another manufacturer's product it would have to study new test results. A toothpaste

merely containing stannous fluoride isn't enough, he said; the formula is what counts.

• **Head Start**—The formula was discovered by an Indiana University team headed by Dr. Joseph C. Muhler. P&G has an exclusive licensing agreement with the school for the patented formula, which Indiana University dentists had been working on since the early 1940s. P&G worked closely with them from the beginning, underwriting research and cooperating as much as possible.

Thus, P&G has a big head start on other toothpastes in what may well take on the proportions of the chlorophyll and the ammoniated toothpaste battles of a few years ago.

Right now, P&G competitors are waiting to see how the company promotes Crest. Colgate today has about one-third of the toothpaste market. P&G's Gleam stands second, followed by Pepsodent (Lever Bros.), Crest, Stripe (Lever), and Ipana (Bristol-Myers).

• **Competitors' Reaction**—Off the record, P&G competitors are apprehensive and, at the same time, angry at both P&G and the ADA. An official of one of the major manufacturers insists that some dentists are up in arms about the ADA action, which is virtually unprecedented since professional groups rarely, if ever, endorse competing brands. He claims "ADA has lost face because of the unethical and unprofessional endorsement." The American Medical Assn. says it never has endorsed a particular branded drug.

A P&G competitor says ADA for years has wanted some sort of control over dentifrice advertising, but manufacturers never would permit it. "Now," he says, "P&G has accepted ADA control. They'll have to travel to Chicago to get advertising copy approved and I predict that in a year's time they'll be sorry."

ADA itself, in explaining why it decided to announce the Crest approval, simply says: "There is no desire on our part to make money for Procter & Gamble. On the other hand, if a product comes along that is of significant benefit to oral health, we feel a responsibility in letting the public and dental profession know about it."

The ADA Council was careful to point out, too, that Crest is no substitute for water fluoridation in preventing tooth decay, which it supports.



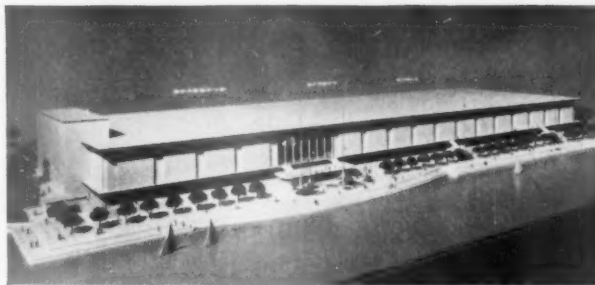


## Sculptured concrete curtain wall panels feature Chicago's \$34 million Exposition Center

Chicago's new McCormick Place Exposition Center is enclosed with 185,000 square feet of concrete curtain wall panels—the largest project of its kind in the world. Of the total curtain wall area, 152,000 square feet is covered with sculptured and geometric design panels in bas-relief. To achieve the attractive textured surface of these panels, white aggregate was used with Trinity White portland cement.

Sculptured panels have helped create an exterior with pleasing lines and high interest, and at the same time shut out natural light to permit full control of the building's interior lighting.

Trinity White, a highly specialized product of General Portland Cement Company, affords the whitest white and truest colors in concrete for a variety of uses. Aside from Chicago's Exposition Center, Trinity White has added superlative beauty to such structures as the Prudential Building in Los Angeles, Southland Center in Dallas, and other prominent buildings throughout the nation.



*Exposition Center is 1150 feet long and 360 feet deep as shown in this scale model.*



### Offices:

Chicago, Illinois  
Chattanooga, Tennessee  
Dallas, Texas  
Fort Worth, Texas  
Houston, Texas  
Fredonia, Kansas  
Jackson, Michigan  
Tampa, Florida  
Miami, Florida  
Los Angeles, California



**General Portland Cement Company**

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6, 1960

# In Business

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## Suitable Programing Up to Stations, Says FCC, Hefting Its License Club

The Federal Communications Commission last week came up with a policy statement that seats it firmly on the fence dividing those who want it to enforce high programing standards on radio-TV and those who call any control by the dirty word of "censorship." In line with its increased control activity under its new chairman, Frederick W. Ford, FCC laid down these broad lines:

- The burden of finding out, assessing, and meeting local program needs is put squarely up to the local stations.

- If the station does not fulfill its duties in programing, FCC strongly asserts its right to take away the station license. The commission made it clear that it would not interfere in the content of particular programs, but would base its judgment on the station's overall keeping of its pledges.

• • •

## Alaskans to Vote on Moving Capital As Foes of Juneau Call It Too Remote

Next Tuesday, the voters of Alaska will decide whether to move the capital of their newly fledged state from Juneau to some other site. If the vote is in favor of moving, the governor will appoint a committee to pick the new spot.

The vast reaches of the largest U.S. state have been bestrewn with argument and counterargument. Proponents of moving claim that Juneau, in the southeastern panhandle, is too far away from most citizens, and for many of them is reachable only by air. Juneau's supporters retort that the state can't possibly afford to move, and besides, losing the government payroll it has had since 1900 would practically ruin the little city.

If the decision is to move, the most often mentioned sites are near Anchorage, the state's largest city.

• • •

## Continental League Dies Unborn; Majors Will Absorb Four of Its Teams

Baseball's third major league—the Continental League—was knocked out of the ball park this week before it even started to play.

The Continental League, first proposed in December, 1957, died after a meeting in Chicago at which the National and American Leagues decided they would take in four of the eight clubs lined up for the new league. The four teams will be fitted, two apiece, into the two major leagues, possibly in time for next year's season and certainly by 1962.

So far there's no telling which of the eight clubs will get the nod from the majors—New York, Dallas-Fort Worth, Houston, Buffalo, Toronto, Minneapolis-St. Paul, Atlanta, and Denver, but New York's representative says that his city's entry is assured.

The Continental League was founded partly as a result of New York's loss of the Giants to San Francisco and the Dodgers to Los Angeles, and partly because the other seven cities had failed in their bids to get major league teams.

Behind its growth—on paper—also lay Congress and the Justice Dept.'s Antitrust Div. Each major league team, besides its 25-man squad of players during the season, controls, through reserve clauses, anywhere from 200 to 500 players in minor league teams. Were it not for baseball's exemption from antitrust laws, these reserve clauses would long ago have led the majors into a head-on battle with the Justice Dept. In the last few years Congress has talked of lifting that exemption.

Now that the major leagues have promised to expand from eight to 10 teams each, it's likely that the threat of Congressional action will fade.

• • •

## Jury Links Smoking to Cancer, But Refuses to Award Damages

A federal jury in Miami this week refused to hold the American Tobacco Co. liable for damages in the lung-cancer death of a 49-year-old contractor.

Still, the verdict has created a stir. It was the first time that a jury established a connection between smoking and lung cancer. The jury agreed with the plaintiff that (1) contractor Edwin P. Green had lung cancer; (2) it caused his death; and (3) smoking two or three packs a day of Lucky Strikes for 32 years was at least one of the causes of the lung cancer.

But the jury balked at awarding damages to Green's estate in the \$1.5-million suit, arguing that at the time when Green's cancer was discovered there wasn't enough evidence linking smoking and cancer to establish a breach of warranty by the manufacturer.

American Tobacco expressed pleasure that the first jury verdict on lung cancer had been for the company. (In a similar suit earlier, the judge had directed a verdict in favor of Liggett & Myers.)

Dr. Lawrence V. Hastings, a surgeon who acted as lawyer for the plaintiff, said: "I think the tobacco companies will now spend millions to find and remove a cancer producing agent in cigarettes."

• • •

## Electronics and the Auto

Ford Motor Co.'s defense-oriented Aeronutronics Div. this week decided to invade the hitherto little exploited industrial sector of the electronics field. A new group, headed by Lowell E. Krieg, has been set up to look into the "broad field of automotive electronics."

No specific products have been announced as targets of the program. Possibilities are believed to include transistorized auto radios, automatic headlight dimmers, and other devices.

# Ever listen to a talking train?



"Signal Crew to Train Seventy-Six...checking microwave antenna...can you read me?"

"Seventy-Six to Signal...we read you loud and clear. Over."

Crisp talk like this is crackling over the air these days—for the railroads are using microwave radio in a big way. Microwave keeps operating headquarters instantly in touch with every train, thus expediting service for passengers and shippers.

This is one more way in which railroads are exploring and applying exciting new developments. Such progressive thinking is important to all of us—for we're going to need dynamic railroads more than ever in the growth years ahead.

Clearly, it's in the national interest to give railroads equal opportunity and treatment with other forms of transportation. America's railroads — the lifeline of the nation — are the main line to *your* future.

ASSOCIATION OF  
**AMERICAN RAILROADS**  
WASHINGTON 6, D. C.





Photo courtesy of Turner Construction Company

A magnificent culmination to a fifty-year dream of bringing Protestant and Orthodox communions in America together under one roof, The Interchurch Center is an outstanding New York building, as well. It is especially noteworthy for an overall high quality in construction and equipment. Planned to be a symbol of unity that would endure for generations, architects and contractors could be satisfied only by "the best" in everything.

When it came to valves for both the central air conditioning system and the heating system with its three low pressure boilers, all building factors agreed on JENKINS. They could be sure Jenkins Valves would deliver an unusual measure of long-time efficiency and economy. And, as practical planners, they appreciated the fact that Jenkins Valves cost no more than any good valves.

When *YOU* choose valves, remember that you pay no premium to specify the valves so often favored by the country's top building authorities. Jenkins Bros., 100 Park Ave., New York 17.

SOLD THROUGH LEADING DISTRIBUTORS EVERYWHERE

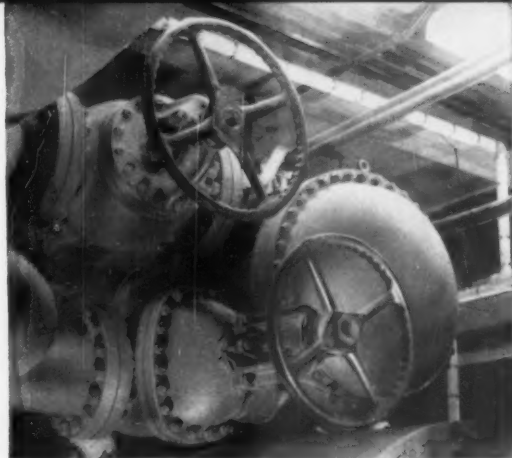
## Built to an "Only the Best" specification

... equipped with  
**JENKINS VALVES**

The Interchurch Center  
New York City

Poised on a bluff 100 feet above the Hudson River, this \$21 million structure houses 2,000 individuals representing 144,000 local Protestant and Orthodox congregations embracing 40,000,000 members in the United States. Its imposing limestone facing alone represents a substantial investment in beauty as well as permanence.

*Architects:* COLLENS, WILLIS & BECKONERT  
-VOORHEES WALKER SMITH SMITH & HAINES.  
*General Contractor:* TURNER CONSTRUCTION COMPANY. *Plumbing Contractor:* C. H. CRONIN, INC. *Heating, Ventilating, Air Conditioning Contractor:* RAISLER CORPORATION.



Jenkins Iron Valves on water lines of condensor

# JENKINS

LOOK FOR THE JENKINS DIAMOND

# VALVES





# WASHINGTON OUTLOOK

WASHINGTON  
BUREAU  
AUGUST 6, 1960



**The South is seething with talk about a November political revolt.**

**The threat:** abandonment of Kennedy by withholding electoral votes when the electoral college meets in December. This would be a desperation move, with the object of throwing the election of a new President into the House of Representatives next January.

**So far, there's more talk than action.** But it makes some Democrats nervous, even though they doubt that the electors' rebellion will be widespread.

**Here's what causes the Southern threats:**

**The 1960 Democratic platform plank on civil rights**, the strongest ever adopted by this party, has infuriated the older generation of Southern political leaders. They are boiling mad about the pledge of a national fair employment practices act, a promise to require at least first-step compliance with school desegregation orders by 1963, and the blunt endorsement of lunch counter sit-in demonstrations by Negroes.

**The Republican platform is equally tough in tone**, albeit slightly less specific in language. In any event, the angry Southerners find no solace there, and no talk has cropped up about a widespread bolt to Nixon.

**Revolt talk is strongest in five states**, but the situation is still so fluid that no one can tell what course actually will be followed. The five have a total of 46 electoral votes—Georgia, 12; Louisiana, 10; Arkansas, South Carolina, and Mississippi, eight each. Alabama Democrats, in an election three months ago, freed six of their 11 electors to vote for whomever they choose. So, actually involved is the threat to pull back all or part of 52 votes.

**A Presidential nominee needs 269 electoral votes to win.** This is a bare majority of the 537 electoral votes. Each state is entitled to one electoral vote for each of its two U. S. senators and one for each member of the House. Thus, New York with 45 electoral votes and Pennsylvania and California, with 32 apiece, become crucial states in November.

**What Southern dissidents hope for** is an election so close elsewhere across the country that by withholding all or part of Southern electoral votes—casting them for some third candidate—they can prevent either Kennedy or Nixon from obtaining the required 269 elector ballots.

**The House of Representatives would then have to elect a President.** And, by provision of the Constitution, each state would be entitled in the House to cast one vote.

**Southern moderates counsel against an electors' rebellion.** They dispute extremist arguments that if the election were thrown to the House, the South could "deal" for either veto rights over appointment of a new Attorney General or for a promise that the new Administration would go slow and easy in pushing desegregation orders.

**The moderates' logic has two basic parts:**

**First**, neither Kennedy nor Nixon would deal on any such basis—if, for no other reason, simply because it would be ruinous to his political future in the North and East and would discredit his Administration before world opinion, even before it began.

**Second**, Democrats control a majority of House delegations in 33 states. Thus, even if five or six states staged a rebellion, non-Southern Democrats would still have 27 or 28 House votes—or more than a majority. The GOP controls nine delegations; eight states' House delegations are evenly divided

# WASHINGTON OUTLOOK (Continued)

WASHINGTON  
BUREAU  
AUGUST 6, 1960

between Democrats and Republicans. The new House, to be elected in November, would do the balloting, it is true. But in a close election—upon which the dissident Southerners would depend—it is not likely that a great enough shift would occur to give the South the desired balance of power.

**So, this prospect:** The talk will grow louder before it subsides and, in the end, most Dixie electors will wind up voting for Kennedy.

—●—

The Kennedy-Nixon campaign is off to an inauspicious start. In a year when there are good and solid grounds for an illuminating national debate on some vital economic differences between the parties (page 17), the two candidates have fired opening salvos that tend to be personal in their impact.

Kennedy started it with the observation that Nixon, the Republican nominee, is a man with no basic political convictions. He bases this on Nixon's repudiation of Agriculture Secy. Ezra T. Benson.

Nixon answered in kind, observing that Kennedy and the Democrats sold out to organized labor in the Los Angeles convention.

Neither comes off particularly well in this opening round. This is the consensus of impartial observers hereabouts. The feeling is that the campaign can—and the hope is that it will—rise above this level.

Kennedy's convictions about Benson's farm policy have changed also since 1954, when he voted for the Administration's flexible crop price support proposals. This hurt Kennedy in his 1956 quest for the Vice-Presidency. Midwestern Democrats shunned him. Since then, he has joined the vocal critics of Benson among his Democratic colleagues.

In any event, it has been clear for quite some time that Nixon—who once, in the privacy of the White House, tried to get Pres. Eisenhower to fire Benson—would try to cut himself loose from the unpopular Agriculture Secretary as soon as he obtained the Presidential nomination.

The political love affair between labor and the Democrats, and especially Kennedy, is one of long standing that was strengthened, but certainly did not begin, in Los Angeles.

—●—

Space officials are skittish about involvement in the 1960 campaign for the White House. They suspect the Soviets may make dramatic progress before Election Day in the man-in-space race. They acknowledge that we have little chance to beat the Russians, or even to match them quickly. A big Russian gain would turn the space issue into a potential vote-gainer for Kennedy and the Democrats.

A 10-year, \$15-billion U. S. space timetable has been laid down by the Administration.

By 1970, it envisions manned flights to the moon and back.

In the near future, here are some key goals:

Next year, the first manned flight into space, plus hitting the moon with an instrumented payload.

In 1962, first launchings of a two-stage Saturn rocket, the vehicle that ultimately will be capable of putting 10-ton satellites into earth orbits and of lifting 1,500-lb. loads to the moon.

By 1963 or 1964, launching unmanned vehicles for the moon, in hope of achieving controlled landings.



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An idea starts to simmer and keeps on simmering until you do something about it. Where did you get the idea in the first place? Probably from a piece of paper, maybe a catalog or merchandise folder. That's one of the jobs paper does so well—it sells ideas. At least some kinds of paper do. Others protect products, serve as packages, or convey messages. Every day Champion people make paper that will do these things and more. It's their pride and skill in papermaking, plus research for new and better papers, that help keep Champion the leader in the industry. Champion Sets the Pace in Papermaking.



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**Wait till you feel  
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have done for  
truck handling**

"You don't have to be a truck driver to drive this one." . . . "Really hangs on the road, doesn't fish-tail or whip around." . . . "Like driving a car with power steering." . . . "You don't get the swerve and sway you get on most trucks." . . . "My wife says I'm easier to get along with since I've been driving this truck."

Those are some of the things the drivers are saying—the men who live in trucks all day long and know a new kind of handling ease when they feel it. They're sold.

Owners are sold, too. They like their drivers happy. They also like the way Chevy's Torsion-Spring Ride lets them work faster, get in more trips a day. Quote: "I can average a load a day

## **1960 CHEVROLET**





more with it . . . make \$45 to \$50 a day more with this Chevy than we can with the others." Another hauler is able to go 30 miles an hour over rough roads he used to have to take at under 10. Result: "Where I used to deliver about 2,300 units [liquid petroleum gas] in a day with the other trucks, I can deliver 3,500 units a day with my new Chevy."

Those are prime examples of the kind of reports we've been getting on Chevy's ride. Truck owners are impressed by Chevrolet's high gas mileage and low maintenance. They talk about cab comfort and durability and good tire life. But always, they'll tell you again how great the new ride is. Try it. Just once. . . Chevrolet Division of General Motors, Detroit 2, Michigan.

***A whole new approach to truck durability and ride!***

***Torsion springs***, with fully independent front suspension, revolutionize the ride. ***Wide-based coil rear springs*** in many light-duty models for better-than-ever stability. ***Variable-rate rear springs***, sure to last longer, in most medium- and all heavy-duty models. ***Frames that are tougher***, more resistant to twist—a big plus in Chevy's new Sturdi-Bilt design. ***Cabs that are wider, safer***, 67% more rigid. ***Front wheels and tires precision balanced*** in final assembly. ***Lively V8's*** with longer life. ***Sixes sworn to save you money***. All done up in the year's handsomest style!

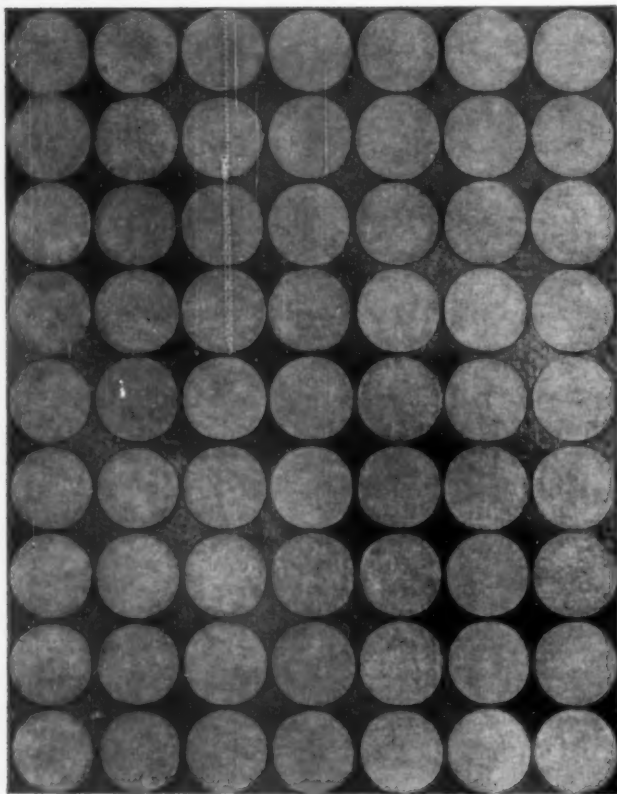
***Anything less is an old-fashioned truck!***

## TRUCKS WITH TOTAL NEWNESS

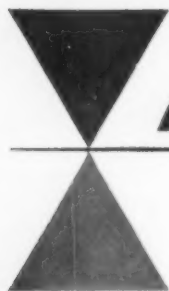
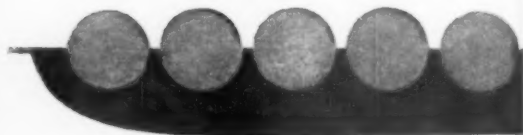


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# FINANCE

# More Squeeze on Profit Margins

There's no doubt that the squeeze on profit margins is hurting. Second-quarter earnings of most U.S. corporations show that while sales are good, profits have declined sharply (chart). The squeeze on profits began to show up in the first quarter, but now it is on in earnest.

Comparisons with a year ago are a bit misleading. In the second quarter of 1959, both sales and profits reached record levels as corporations stocked up in anticipation of the steel strike. This year, steel is operating at a recession rate, and its sales and profits have registered the sharpest relative drop of any single industry.

Steel is not the only industry to show a decline in profits—and profit margins. In fact, a majority of industries reported smaller sales and shrinking profits in the second quarter compared with the same period a year ago.

• **Second-Quarter Slump**—Even more significant, there has been a decline in profits from this year's first quarter. Normally, sales and earnings in the second quarter run about 5% better than in the first quarter. But, according to the First National City Bank of New York, profits of 533 manufacturers surveyed fell by 5% from the first-quarter rate, and by 14% from the second quarter of 1959. National City says that for the first half as a whole, profits of the companies they surveyed were 4% below the corresponding figures for last year.

These figures suggest that it will take a major increase in sales and profits to come close to the Treasury's estimate that pre-tax profits will run around \$51-billion this year. Last year, corporate profits before taxes hit an annual rate of close to \$50-billion, then under the pressure of the steel strike slumped to an annual rate of just over \$45-billion before taxes in the second half.

This year, before-tax profits were probably around \$48-billion in the first half, and although there's a good chance to surpass last year's record of \$47-billion for the full year, it will take a big stepup in activity, and a reversal of the squeeze, to reach a total of \$50-billion for the year as a whole.

• **Sales Are No Clue**—The big problem is that a hike in sales alone doesn't insure higher earnings. A number of companies reporting improved sales during the second quarter of 1960 were not able to better their earnings. P. Lorillard Co., for example, showed slightly higher sales for the first half of 1960 compared to the same period a year ago, but its earnings—due to "increased costs

(Thousands of Dollars)

1ST HALF, 1960

1ST HALF, 1959

	Sales	Profits	Profit Margin	Sales	Profits	Profit Margin
Allis-Chalmers Mfg. ....	\$282,691	\$7,780	2.8%	\$221,226	\$5,314	2.4%
American Can Co. ....	490,379	17,342	3.5	510,494	21,489	4.2
American Cyanamid. . .	305,154	28,437	9.3	297,498	27,176	9.1
Amer. Mach. & Foundry	142,235	10,560	7.4	122,673	8,506	6.9
AMP, Inc. ....	24,917	2,443	9.8	20,440	2,241	11.0
Armco Steel. ....	521,181	41,733	8.0	592,005	50,593	8.5
Atlantic Refining. ....	279,215	16,917	6.1	277,527	17,356	6.3
Avon Products. ....	72,984	6,611	9.1	59,615	5,658	9.5
Bethlehem Steel. ....	1,224,852	81,543	6.7	1,448,146	123,158	8.5
Borden Co. ....	471,487	13,394	2.8	456,453	11,932	2.6
Brunswick Corp. ....	127,971	8,758	6.8	95,100	5,799	6.0
Caterpillar Tractor. ....	385,417	20,378	5.3	404,482	28,864	7.1
Chrysler Corp. ....	1,751,500	23,700	1.4	1,531,400	58,000	3.8
Continental Can Co. ....	530,255	13,191	3.6	535,354	19,267	3.6
Corn Products. ....	341,561	18,306	5.4	332,934	16,017	4.8
Du Pont. ....	1,097,000	202,878	18.5	1,068,000	216,050	20.2
Eastman Kodak. ....	417,222	54,959	13.2	400,786	52,721	13.2
Electric Auto-lite. ....	115,756	4,521	3.9	99,732	5,150	5.2
Fairchild Camera. ....	30,285	1,682	5.6	18,741	795	4.2
Ford Motor Co. ....	2,884,500	264,800	9.2	2,954,300	285,900	9.7
Flintkote Co. ....	114,355	5,282	4.2	114,833	7,113	6.2
General Electric. ....	2,022,699	111,429	5.5	2,065,447	117,239	5.7
General Motors. ....	7,108,771	611,584	8.6	6,511,700	590,285	9.1
Granite City Steel. ....	81,489	7,638	9.4	85,173	8,370	9.8
Inland Steel. ....	432,090	33,067	7.7	469,205	42,172	9.0
Ideal Cement. ....	46,693	8,337	17.9	50,525	9,968	19.7
IBM. ....	694,627	76,616	11.0	615,371	64,031	10.4
Johns-Manville. ....	174,326	13,510	7.7	176,314	14,920	8.5
Jones & Laughlin. ....	461,588	26,136	5.7	552,768	42,206	7.6
Kennecott Copper. ....	249,582	42,660	17.1	262,675	47,760	18.2
Mack Truck. ....	140,971	6,666	4.7	151,687	7,882	5.2
Martin Co. ....	301,900	7,648	2.5	248,200	6,214	2.5
Merck & Co. ....	111,416	14,784	13.3	110,787	15,847	14.3
Monsanto Chemical. ....	431,787	33,486	7.8	413,708	35,209	8.5
Motorola. ....	143,501	6,506	4.5	128,867	5,886	4.6
Nat'l. Dist. & Chemical. .	280,710	11,724	4.2	270,302	11,772	4.4
Parke Davis. ....	99,046	15,130	15.3	90,792	13,737	15.1
Peabody Coal. ....	61,204	5,865	9.6	49,817	5,356	10.8
Philip Morris. ....	249,727	10,127	4.1	244,191	9,433	3.9
Phillips Petroleum. ....	603,098	51,747	8.6	597,579	53,208	8.9
Pittsburgh Plate Glass. .	323,971	25,723	7.9	279,880	20,015	7.2
Radio Corp. of America	707,000	18,100	2.6	633,700	19,400	3.1
Reynolds Metals. ....	216,114	13,218	6.1	239,486	20,609	8.6
R. J. Reynolds Tobacco	679,234	49,023	7.2	610,547	42,570	7.0
Schering Corp. ....	42,620	3,967	9.3	39,004	5,186	13.3
Scott Paper. ....	157,864	13,402	8.5	146,613	11,892	8.1
Standard Oil (N.J.). . .	4,317,000	315,000	7.3	4,255,000	315,000	7.4
Stauffer Chemical. ....	114,349	10,820	9.5	117,221	11,649	9.9
Union Carbide. ....	771,643	81,191	10.5	760,146	90,443	11.9
U. S. Rubber. ....	510,189	18,505	3.6	508,865	18,956	3.7
U. S. Steel. ....	2,189,949	193,472	8.8	2,526,331	254,948	10.1
Westinghouse. ....	953,844	40,454	4.2	914,204	34,150	3.7
Wheeling Steel. ....	136,209	8,156	6.0	154,796	11,011	7.1
Wm. Wrigley, Jr. Co. . .	49,534	4,715	9.5	45,943	5,192	11.3
Youngst'n Sheet & Tube	345,292	18,889	5.5	425,258	28,704	6.7

Data: Business Week



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for expanded advertising and research programs and interest charges"—brought about a decline in profits. Smith Kline & French Laboratories, which had sales of almost \$73-million in the first half compared to \$66.8-million a year ago, reported net earnings down from \$12.8-million to \$12.1-million.

Some companies that have been hit by falling sales and profit margins in the U.S. managed to maintain their over-all earnings because their foreign subsidiaries are increasing their activities. This was true for a number of drug and cosmetic manufacturers as well as for some companies in heavy industry. F. W. Woolworth Co., for instance, had record sales and earnings largely because its British and West German subsidiaries provided increased dividends.

• **The Winners**—Most of the companies reporting increased sales and earnings were in growth areas, such as electronics, or in specialized fields. Avon Products, Inc., a door-to-door cosmetic vendor, and Brunswick Corp., which makes bowling alley equipment, and sports supplies, hospital equipment, and boats, registered increases in both sales and profits. So did many companies in the electronics industry, although it was by no means an across-the-board gain. Some electronics companies reported a pinch in profits, either because sales did not come up to expectations or because of higher research costs.

• **Competition Hurts**—The real squeeze showed up in basic industry—steel, chemicals, electrical equipment, autos. Some companies in these areas managed to boost their sales, but were unable to maintain their profit margins. Executives say that increased competition was the biggest single factor behind the profits squeeze. Companies have to spend more to sell their goods, and in many cases are getting less for the goods that they sell.

This is the case in the auto field. The advent of the compacts has meant booming unit sales for Ford Motor Co. and Chrysler Corp., but a cut in profit margins. General Motors Corp., which is selling many more standard-sized cars, was the only one of the Big Three auto producers to show an improvement over last year's sales. But even in its case, profit margins were reduced.

• **Second Thoughts**—In the first quarter, many manufacturers showing a slip in profit margins felt that it was only a temporary problem. Some cited the premiums that had to be paid in order to get steel just after the strike ended, which increased production costs; others blamed poor winter weather, which held down sales.

Now, companies are more realistic about the slump in profit margins. For example, Owens-Corning Fiberglas Corp. admitted that sales did not reach

predicted levels, and General Portland Cement Co. explained that "the construction industry's requirements for cement will not be as great this year as had earlier been expected." Maytag Co., which said that the whole home laundry business was soft, pointed out that a seasonal upturn usually occurs in the third quarter, but added that "there is no present evidence that it will reach the levels of the third quarter of 1959."

• **Optimism Fades**—The fact is that many companies owe their shrinkage in profit margins to overoptimism about their markets. They based their production schedules—which necessitated building inventories—on an extremely high level of sales. When sales failed to come up to expectations early this year, many of them were caught in a squeeze. They had to make price reductions and step up their sales campaigns in order to move goods.

Now companies are taking a much more pessimistic tack, which is bringing about an improvement in inventories. They've cut back on production and inventories, and they seem intent on holding down costs all along the line. If sales are maintained or show any improvement, it should make for a better picture in the second half.

• **Cost Controls**—Last year, business activity was hit by the prolonged steel strike during the second half. This won't be a factor now. This may help both sales and profits, although a reversal in the profit margin downtrend cannot be taken for granted. It depends on both a high level of sales and an ability to economize in production.

Some companies have managed to increase their profit margins by a rigid control of costs. Westinghouse Electric Corp. has bettered its profit margins quarter by quarter; General Electric Co., on the other hand, has seen its profit margin slip. Of course, Westinghouse's margin is well behind GE's, but its ability to increase its profit margin at a time when most companies are showing a slippage is an example of what can be done even when sales are not booming.

• **Big Question**—The steel industry will certainly make a better showing in the second half. So will other manufacturers closely allied to steel. But there's no assurance that the improvement will be industrywide, although the chances are fairly good that the rate of slippage in profit margins will be slowed down.

Most companies say that they are now in a position to improve their profit margins provided that sales increase. This is the big question mark. Many were genuinely surprised at the softness they experienced in the first half, and no longer are taking for granted an increase in the second. But if sales increase or stay level, the chances are that profits margins will not keep shrinking. **END**

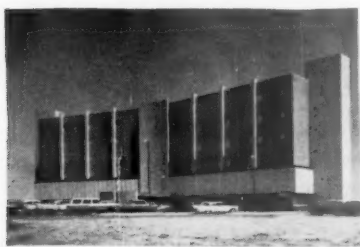


## HOSPITALS NEVER DIE

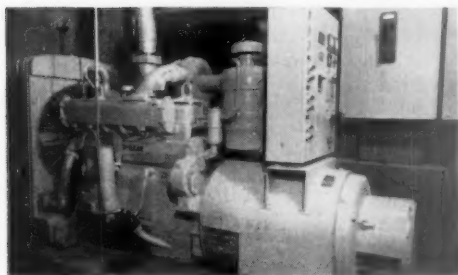
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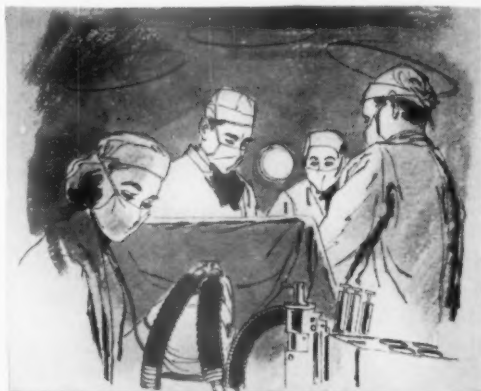
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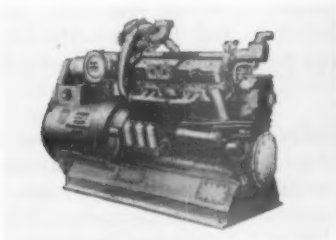
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# In Finance

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## Bankers' Group Warns Its Members Against Consumer Credit Expansion

The American Bankers Assn. this week warned its membership against "bailing out the auto industry" by permitting an unsound extension of consumer credit. The ABA notes that auto dealer inventories amount to about 1-million cars, and says that "the automobile industry may have difficulty in liquidating its inventory. Pressure may therefore be put on the banks to extend credit terms in an effort to move unsold cars."

Louis J. Asterita, who heads the ABA's consumer credit division, predicts that if such pressure is applied, bankers are likely to resist it strongly. He says that a number of banks have been boosting the maximum term on their auto loans from 24 to 36 months, but that few have gone over 36 months, which he regards as the limit for sound auto financing. (During 1955's consumer credit spree, 42-month loans became fairly common.)

• • •

## New York Banks Flail at Fed's Lid On Time Rates, but Aren't Hopeful

The New York Clearing House Assn., which represents all the major New York City banks, this week blasted the Federal Reserve Board for its administration of Regulation Q—the rule that currently puts a ceiling of 3% on the interest rate that banks are allowed to pay on time deposits. NYCHA wants the rate on deposits—particularly those from foreign sources—to be free to fluctuate with open market rates. It points out that from mid-1958 until early 1960, open market rates on U.S. Treasury bills were well above the 3% bank time deposit rate—at times as high as 5%. As a result, says the association's study, New York banks lost about \$700-million in foreign time deposits that were shifted into higher yielding investments on the open market. This was the same period when demand for bank credit rose to a record high.

The New York banks list other ways in which they claim Regulation Q is hurting their competitive position:

- The flow of funds into foreign bank agencies located in New York is robbing domestic banks of some profitable business. NYCHA says that "in early 1960, Canadian agencies appear to have held as many or perhaps even more street loans than all New York City reporting member banks combined."

- The buildup of dollar deposits in foreign banks in Western Europe (the so-called Euro-dollar market) is depriving the New York banks of compensating balances they need in order to compete with international banking services. NYCHA says the amount of these Euro-dollars could run as high as \$1-billion, mostly held by German banks that regularly pay more for deposits than the 3% U.S. ceiling. (German banks have been blocked from accepting new time deposits from

foreigners, but German dollar holders are switching from U.S. to German banks.)

NYCHA comments wryly that "the irony is that the dollars involved never leave New York." This is because the foreign bank with dollars to invest is not required to hold reserves against these funds. As a result, it can lend the dollars for less than the New York banks, at the same time it is paying more for the money.

Despite this stinging criticism from the influential New York banks, it is not likely that the Fed will move quickly to increase time deposit rates. For one thing, most other banks, particularly those in California, hold vast amounts of consumer time deposits and any increase in the rate, they feel, would hurt their earnings. And it's a knotty legal problem whether or not the Fed could increase the rate ceiling on foreign deposits without increasing the domestic rate at the same time.

• • •

## Agency May Settle With S&L

The Federal Home Loan Bank Board may be about to compromise with the Long Beach (Calif.) Federal Savings & Loan Assn. This week it announced a second postponement—until Sept. 1—of a formal hearing on its charges against Long Beach Federal's ousted management, headed by Thomas A. Gregory.

Last April, FHLBB seized Long Beach (BW—Jun. 25 '60, p120), touching off a run on its share accounts as well as a Congressional ruckus over alleged "misuse" of powers by FHLBB. Now, FHLBB Chmn. Albert J. Robertson says he would "prefer to settle out of court—provided a satisfactory agreement can be reached."

• • •

## Fight for Control of B&O Shifts to Switzerland

The focus of the fight between the New York Central RR and the Chesapeake & Ohio Ry. for control of the Baltimore & Ohio (BW—Jul. 2 '60, p88) shifted to Switzerland this week. Representatives of both railroads—and their investment bankers—Merrill Lynch, Pierce, Fenner & Smith and Bache & Co.—made the rounds of the major Swiss banks to try to publicize the merits of the respective offers.

It's estimated that anywhere from 20% to 40% of B&O's 3.1-million outstanding shares are held by Swiss investors; but it's difficult to find out just who the shareholders are, since B&O stock has been listed on the Swiss stock exchange since 1902 and is rarely registered in the name of the actual owner.

The Swiss banks—in a key position to influence the outcome—plan to publish both offers formally this week, and then will act as agents in accepting shares tendered to either the Central or the C&O. Some observers think that the Swiss may be playing a cat-and-mouse game in order to force up the price paid for the stock. But E. Bates McKee, partner of Bache & Co., agent for the Central, thinks this unlikely, since the Swiss banks have little direct interest in B&O stock. Most of the B&O shares in Switzerland, he thinks, are held by individuals: "There just aren't any large blocks."



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It's not every day that a metal product finish is doused with flammable liquid and set on fire—even in the Glidden laboratories.

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Glidden laboratories are constantly putting finishes through every conceivable test in developing formulations resistant to abrasion, impact, humidity, cold, corrosion, stain, grease, and any other conditions they might possibly face.

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## Standard of Jersey's New Plan

The world oil glut is forcing Jersey Standard—like other big international companies—to revamp its organization structure, consolidate its operations, and reduce costs.

Running a big international oil company has never been a tougher job than it is today.

Says M. J. Rathbone (cover), president and new chief executive of the biggest of them all, Standard Oil Co. (New Jersey): "I've been in the oil business for 38 years, and I've never seen anything like this. We've had oversupply before; we've had competition; we've had mean political situations—but never such a combination."

The response in the industry has

been reorganization, consolidation, cost-cutting. Jersey is no exception:

- Headquarters "contacts" with its more than 200 affiliated companies all over the world have been "reoriented." Now they are set up regionally (map) instead of by individual companies.

- A new high-level committee, the Board Advisory Committee on Investments, is screening capital spending projects. It's also supposed to help the board work out new investment policies.

- Jersey has consolidated its ma-

jor U.S. subsidiaries into a single corporation, Humble Oil & Refining Co., now the largest domestic oil company (BW-Sep.12'59,p48). The goals: better coordination and nationwide marketing for the first time since the breakup of the old Standard Oil empire in 1911.

- Abroad, small affiliates marketing in the Mediterranean area have been grouped under an intermediate holding company, Esso Mediterranean, Inc. It provides staff services to affiliates too small to have their own.

- The Jersey companies have cut back on capital spending and employment. At the same time, they are marketing more aggressively, expanding in natural gas and petrochemicals, and spending more on research (a high of



## EUROPE, THE MEDITERRANEAN, AND WEST AFRICA



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# n for Realignment

\$67-million last year), chiefly to find cheaper processes and new uses for oil.

• **Troubled Oil**—All these steps are aimed at bracing return on stockholders' equity, which has sagged from a 1951 average of 19.1% to a 1959 average of 9.6%. Like many Jersey problems, this one is common to most of its competitors. For oil, once hailed as a great growth industry, has lost its luster.

The rise in oil consumption, which averaged about 6% a year for the U.S. and about 12% for the rest of the free world in the first postwar decade, has slackened to only about half what it was five years ago.

Meanwhile, supplies have mounted, and the oil companies are plagued by overcapacity and oversupply—in produc-

tion, refining, and shipping. The industry, says Rathbone, has "oil running all around the place."

Newcomers, including governments, have invaded the international oil market. With hotter competition and too much oil, prices have declined, and profit margins have narrowed.

Superimposed on the dismal supply-and-demand picture is a surplus of political problems. The oil industry has always been one of the most politically sensitive. Crises in Cuba, Indonesia, Venezuela, the Middle East, Africa all hit its business directly.

• **Countermeasures**—The industry's response to these troubles has been a succession of internal reorganizations, consolidations of sprawling subsidiary

empires, and stringent cost-cutting to eliminate the lush years' fat.

Jersey's two chief rivals, Royal Dutch/Shell and Socony Mobil Oil Co., both revamped their organization structures last year. Jersey's own realignment went into effect May 25, when Rathbone took the reins from retiring Chmn. Eugene Holman. (Rathbone kept his old title of president, and Leo D. Welch, executive vice-president, was made board chairman.) Both Jersey and Socony have consolidated their American operations; Standard Oil Co. (Indiana) will soon follow suit.

Jersey's domestic regrouping combined its old Humble Oil & Refining Co., one of the nation's biggest oil producers, and another integrated affiliate, Carter Oil Co., with its biggest domestic refiner and marketer, Esso Standard Oil Co., and several smaller marketing companies into a new Humble.

This change has meant a lot of per-

sonnel reshuffling. Humble people wryly joke that they tell their secretaries, "If the boss calls, be sure to get his name."

Jersey's headquarters shift has had a lot less personal impact. But to Jersey's top executives—and to other companies that have the problem of making decentralization work—it's an important step.

• **Model Parent**—One of the pioneers of decentralization, Jersey is often cited as a model even by executives who disdain some of its favorite techniques—like committees, job rotation, and "assistants to." When heads of big decentralized companies compare their headquarters staffs to holding companies, providing consulting service and policy guidance to operating units, it's Jersey they are talking about.

In Jersey itself, the organization structure is viewed as a major competitive weapon. The company keeps the finer points under wraps and has never published its organization chart.

• **Basic Aims**—Jersey's intricate organization setup is the product of many years' evolution. The new refinements were worked out by the board itself, without benefit of outside consultants.

The basic aims were faster decision-making, better control of affiliates, and freeing the time of the board and executive committee for their real job, policymaking.

Because of the regionalization, Rath-

bone says, operating company managements will get more advice, contact, counsel, and coordination on a broad basis. And they will get it faster, for individual executive committee members now have more authority. For example, they can clear expenditures two or three times their old limit (the actual amounts are Jersey's secret).

Both the regionalization and the new investment advisory committee relieve the executive committee of some of its "less vital" work, give it "more time to think in the broad policy and planning area." Jersey has always liked to spell out its policies so specifically that those who carry them out don't have to keep coming back for interpretation. But before the reorganization, says Rathbone, the executive committee didn't really have time.

• **New Emphasis**—Paradoxically, according to Rathbone, the organizational changes at Jersey represent both more decentralization and more centralization. Execution of policy has been pushed further down in Jersey's own management, but the object is better centralized policy determination. Rathbone points out, "In a big organization like this you find people making policy all over the place unless you are careful."

Centralization of policy and decentralization of operations are the corner-

stones of Jersey's management theory. That's the only way, its executives figure, that an enterprise of its size and complexity can be run.

## I. Jersey Structure

Jersey itself is simply a holding company—and has been since 1927, when its directors decided they couldn't both set policy for a billion-dollar business and direct any part of its operations. It has only 1,370 employees, most of them on a few floors of the RCA Building in New York's Rockefeller Center, and hardly any physical assets.

But the 16 men on its board (all of them also full-time Jersey executives) are responsible for a worldwide enterprise with total assets of nearly \$10-billion and annual sales of more than \$8-billion. Last year, Jersey affiliates produced 14% of the world's crude oil output, processed 17% of its refinery runs at 50 locations around the world, and marketed—in 136 countries—18% of its total oil consumption.

• **Coordinator**—Some of the operating companies in which Jersey has a majority stock interest only produce oil; some transport it; some refine it; some market it; some perform several of these functions. Many are each others' customers or suppliers.

All of them run their own day-to-day



JERSEY STANDARD'S Board Advisory Committee on Investments and representatives of West German affiliate Esso A.G. discuss refinery to be built in Karlsruhe. Clockwise: W. Schwarze, manager, long-range planning, and F. K. Scheibitz, manager,

manufacturing dept., Esso A.G.; H. W. Page (fifth from left), vice-president and deputy chairman of BAC; M. W. Boyer (third from right), vice-president and chairman of BAC; and Dr. A. Wille (extreme right), fuel products manager, Esso A.G.



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businesses. They hire their own employees, set their own operating budgets, decide where to put their own service stations, or where to drill their own wells. Beyond such basics, how much autonomy they actually have depends on their size, the extent to which they intermesh with other Jersey companies, and the "sophistication" of their managements.

To these affiliates Jersey supplies "coordination," defined by Secy. John O. Larson as "seeing that affiliates act in the best interests of Jersey as well as their own." Since many of them have minority stockholders, the job of balancing interests is not always easy.

Jersey serves its companies as banker, executive personnel department, and responsible management consultant. It sets basic policies; has the last word on capital investment proposals; and selects, trains, and evaluates affiliates' officers and directors.

• **Clean-Cut Areas**—Logistical coordination—seeing that oil flows smoothly through a maze of corporate entities—and technical backstopping on capital projects are the job of Jersey's four functional departments (production, refining, transportation, and marketing) and the directors to whom they report. For specialized advice on subjects ranging from foreign exchange to pre-Columbian art, affiliates can consult the parent company's staff departments.

But for policy guidance—and for the broadest kind of financial, business, or political direction—the affiliates must go to the board members. It was the feeling that the operating companies weren't getting enough of this kind of advice—and weren't getting it fast enough—that led Jersey to regionalize its relations with them.

Formerly, each director was responsible for maintaining contact (a Jersey term roughly equivalent to supervision) with one or more affiliates as well as with Jersey's own functional and staff departments. Over the years, says Larson, just which affiliate belonged to which director had become increasingly obscure.

• **Pinpointed Control**—The rationale behind the assignments had never been clearcut, though usually a director looked after companies where he had once worked or whose business fit his own functional background. As a result, a single director's charges might be spread all over the world. And half a dozen directors were concerned with a region like Latin America; if a question affecting the whole area came up, all of them had to be consulted.

Only the Middle East was getting concentrated attention from a single director, Howard W. Page. And only he had a regional coordination staff to help him. With the creation of the European Common Market and similar



Pres. M. J. Rathbone



Chmn. Leo D. Welch

developments in other areas, the executive committee was making more and more decisions on a regional basis—but, says Larson, with an uneasy feeling that it was making them without enough information.

Now Jersey's affiliates are grouped into six regions, with a contact director for each and coordination staffs for three. There are no staffs for American, Canadian, and Far Eastern operations because they are concentrated in three big companies, Humble, Imperial Oil, Ltd., and Standard-Vacuum Oil Co.—jointly owned with Socony Mobil. (Both Socony and Jersey are noncommittal about persistent rumors that they plan to spin off Stan-Vac.)

Actually, each region has three directors assigned to it—a primary contact, an alternate to serve if he is sick or away, and an advisory contact director on the executive committee (Europe is divided between two primary contact directors who alternate for each other). "The problems we deal with today are so complex that two men's judgment is better than one's, and three are better still," Rathbone explains.

The judgments of the regional directors are still subject to what Larson calls functional cross checks from the directors who guide the parent company departments. But the advisory contact directors have been given a lot of authority. They can decide whether or not to take a question to the executive committee.

## II. Standard Meeting Co.

In a sense, this is a move away from the group decision-making for which Jersey is so famous that its own employees call it the "Standard Meeting Co." Actually, Jersey is less groupy than legend would have it.

It does have a lot of committees. But

most of them produce recommendations rather than decisions. And, as in other companies, committees come and go. One of the best known, the Advisory Committee on Human Relations, died a few years ago, because, says Rathbone, it "never could come up with a recommendation that was really concrete."

• **Checks and Balances**—But committee deliberations are a cherished Jersey tradition. It stems partly from Jersey's emphasis on checks and balances, both below and within the board.

For Jersey, almost alone among major U.S. corporations, has a completely inside board, self-perpetuating and self-controlling. The board is not subject to review by independent directors or influential stockholder interests (no group or individual owns more than 3% of the stock). That's also true for all practical purposes in many companies, but in Jersey it's official.

So the board itself is full of checks and balances. The other 14 directors review the performance of the president and chairman; the two of them evaluate the others and recommend promotions.

Though they are equal on the board, the directors are not equal as executives. Jersey, says Larson, has never been much on titles, but it's making increasing use of them to indicate distinctions. The four directors who serve with Rathbone and Welch on the executive committee are executive vice-presidents; six directors, most of them in charge of major regions or functions, are vice-presidents; the others (all recently elected) are just directors.

It's the executive committee that really runs Jersey Standard. The board is too big, and its other members are too busy with their executive jobs (to make sure that the executive committee members aren't too busy, they have fewer "contact" responsibilities).

• **Two Tools**—In some ways there's not



much distinction between the board and executive committee. Most major policy and financial decisions come before both. Anyway, all directors are welcome to attend the committee's daily meetings, and many do.

But one of Jersey's two major tools for controlling its affiliates is almost entirely the executive committee's province. That is personnel. Once a week the executive committee renames itself the co-ed (compensation and executive development) committee. That's when it meets to administer Jersey's management development program (of which it is extremely proud) and to evaluate the performance of the affiliates' top managers and the parent company's higher-level staff. (For the affiliates' presidents, Larson explains, the experience is analogous to a report to an annual meeting—"except that they have a group of extremely sophisticated stockholders.") These sessions are completely closed even to directors.

The other major control tool is money. There, of course, the board retains the final say.

### III. Investment Counsel

Investment is a subject to which the board is currently giving a lot more attention. "The way things are going in the oil world today, our investment policy needs constant reappraisal," Rathbone says. "Jersey can't just put money into something and sit on it; we have to keep on top of it."

That's why the board set up the new Board Advisory Committee on Investments (BAC), under Vice-Pres. M. W. Boyer's chairmanship, and with it an investment analysis department to study investments "on a very broad basis." BAC replaces the 35-year-old coordination committee, formerly the most important of all Jersey's advisory committees. It has taken over the coordination committee's meeting room—already rechristened the "back" room—and most of its duties.

• **Chief Task**—But BAC has a bigger job. The coordination committee's chief task was to review affiliates' capital spending proposals. Once a week it met to consider pending projects. Once a year it withdrew to Westchester County for a week to study the annual capital budgets of some 70 operating companies. BAC will do that, too, although this fall it will hole up in a New York hotel instead—"No golf," says Boyer.

The coordination committee's responsibility was limited to questions of technical soundness and logistical or "coordination" impact. The financing of a project, its effect on profits, the state of the local political climate were all problems for the executive committee or board. Now the functional



M. W. BOYER is chairman of the new Board Advisory Committee on Investments, which among other things reviews capital spending proposals of Jersey affiliates.

coordination staffs will take over technical matters, and BAC will concentrate on these larger questions.

BAC has still another assignment from the board. It is supposed to formulate investment policy recommendations and keep them up to date. That involves questions like these: Is Jersey doing enough marketing worldwide? Enough refining? Are some areas of the petrochemical business too competitive? It also will look for new things for Jersey and its affiliates to put their money into.

• **Working Off the Backlog**—Although BAC has been meeting since early April three afternoons a week (to the dismay of its 12 members), so far it hasn't come up with any policy recommendations. It has been too busy setting up procedures and working through a backlog of projects left over from the coordination committee.

Both BAC and the regionalization already have given the executive committee a lot more time for policymaking, Rathbone reports. The committee is spending only half as much time as it used to clearing appropriations. As a result, says Rathbone, "We have succeeded in establishing policy statements in such areas as employee benefits and participation in joint ventures" (a more cautious approach to both). "Now that we have these policies, the contact directors can go ahead and clear things. This has cut down the executive committee's time another 25%."

### IV. Un-Humble Subsidiary

Rathbone is equally enthusiastic about the creation of Jersey's new domestic subsidiary, Humble. Here the motivation, as in the similar moves by

Jersey's competitors, was primarily a marketing one.

The consolidation, says Rathbone, "gives us the opportunity to expand all over the U.S. as we see fit—and under unified management." Like several of its competitors, Jersey wants to market nationwide. And, like them, it wants to do it under a single corporation with a national brand.

Humble now markets in only 38 states. But it is qualified to do business in all 50, and it has stepped up long-time Jersey efforts to find a brand name that won't infringe on the franchises of other companies with the Standard Oil name in the West and Midwest.

In Ohio, where it has just started selling, Humble is using the trademark Encon (for Energy Corporation, a Jersey idea, not a company). But, says Rathbone, "We don't know whether that will be the final one or not. It's a very subjective decision."

National marketing will offer benefits from "a lot of little things." For example, says Rathbone, "In negotiating an aviation gasoline contract with a transcontinental airline we have been at a disadvantage in competing with Texaco because we were not nationwide. We could do it, but it was a lot of trouble."

The unification will cut costs through better utilization of overhead. It also will let Jersey shift a lot of its coordination burden to Humble.

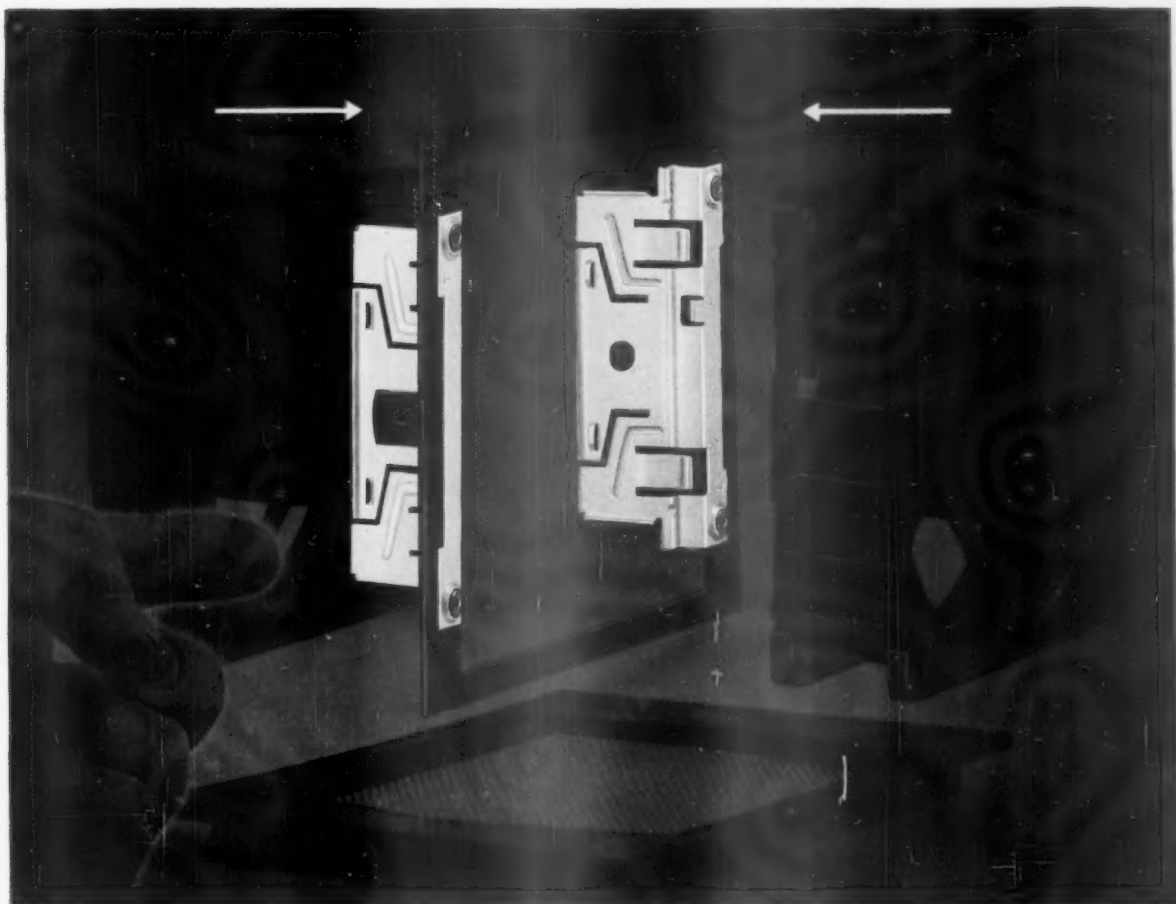
• **Consolidation Abroad**—In general, Jersey aims to create as many big units as it can so they can afford good technical staffs of their own. Mergers are more difficult abroad, where national loyalties interfere, but Jersey has been consolidating affiliates for years. That's how it formed Esso, S.A., the affiliate that recently lost its only refinery to Castro (it is still marketing in the Caribbean and Central America).

Probably more of a pattern for the foreign field is Esso Mediterranean, formed to hold rather than consolidate 11 Mediterranean and West African marketing affiliates. Described by one of its executives as "the parent company once removed," Esso Med supplies management consultant service from Geneva to companies so small that Jersey itself hasn't had time to give much personal help.

• **Jersey Gets Humble**—In the U.S., a number of lesser consolidations preceded the big one. Jersey has had the goal for a long time, but only last year could it get 100% ownership of the old Humble, an aggressively un-humble Texas affiliate long run by the same men who sold Jersey a half interest in 1919. Last year, says Rathbone, was "the first time the political, tax, and personnel phases all were right at the same time."

Humble has not yet worked out its





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EX-4

own organization structure. It may adopt a functional regional type of organization or an integrated regional one, or a combination of the two, Pres. Morgan J. Davis told employees this spring.

• **Cost-Cutting**—Of most concern to Humble's personnel is the future of their own jobs. Davis' pronouncements have been reassuring, but it's obvious there is now some surplus, especially of executives. A number have already taken early retirement.

That just accelerates an earlier trend. Jersey and its affiliates have been cutting payrolls for several years. Total employment is now down to about 146,000, from a 1957 high of 160,000. The parent company trimmed its own staff nearly 10%.

That's not all Jersey is doing to cut costs. It has pulled way back on capital spending—now running at an annual rate of less than \$1-billion compared to the 1957 peak of about \$1.4-billion. It is concentrating on expenditures that will pay off in the short run—automation, instrumentation, maybe even acquisition of going businesses—instead of, say, exploration, where, Rathbone notes, "You don't get a dime out for five or six years." Also, it is using existing facilities more intensively by running on narrower margins and when necessary buying oil—"simply using other people's surpluses."

• **Sales Are Up**—On the whole, Jersey has been holding its own fairly well. Last year it boosted sales 8%, compared to a gain for the free world as a whole of 6%. It has cut its cost per barrel of crude more than 10% since 1957. Its refining efficiency has risen; for example, last year Esso Standard handled 11.6% more throughput than in 1958 with 1,400 fewer people.

Profits, though, are running well below Jersey's 1956 level of \$4.11 a share. Last year the company earned only \$2.93 a share (19¢ more than in recession 1958), and earnings for the first half of 1960 were just about the same as for the same period in 1959.

In large part, that's because Creole Petroleum Corp., which normally supplies nearly half of Jersey's net, earned only about half as much last year as in 1957 (for the first half of 1960, its profits were down about 13% from last year's first half). Creole has been hard hit by sharply increased taxes in Venezuela and by U.S. import quotas as well as by the glut of crude oil.

• **Optimistic**—Rathbone refuses to predict how much longer the oil recession will last. Others estimate from three to 15 years. But Rathbone is confident his industry is only suffering from growing pains, that the world's rising populations, living standards, and industrialization make oil a good bet for the long pull. **END**



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## General American “showcases” soft drinks in a beverage case that lasts twice as long

Til now, beverage cases were containers, but hardly display pieces. This colorful metal and *plastic* case is *both*. It moves right from the truck to a store display, cuts handling costs and increases sales.

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ures, the savings made possible by this Novo Sho-Case are impressive.

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# In Management

## Managers Go Back to School At New Center in Brazil

The first overseas center of the International Management Assn. opened its doors in Sao Paulo, Brazil, late last month, to a full class of 35 executives. Attending the first two-day seminar on profit planning and preservation in an inflationary period were 20 executives from South American companies not affiliated with U.S. businesses and 15 representatives of overseas affiliates of U.S. firms.

The IMA opened its new Sao Paulo branch with the financial backing of the American Management Assn. with which it is affiliated, and the Richardson Foundation of the Vick Chemical Co. The new Management Center do Brasil will offer sessions on a wide range of management problems (in Portuguese—with simultaneous translations in Spanish and English) and will build up a library of AMA materials for the use of Brazilian executives. After the center repays the initial investment, income will be used to set up similar programs in other countries.

Among those attending the first seminars were executives from a department store, local textile mills, a beer company, and a publisher. The American companies in the area who sent managers include Sperry Rand Corp., Olin Mathieson Chemical Corp., Eli Lilly & Co., Ford Motor Co., and Crown Cork & Seal Co., Inc. Fifteen executives who couldn't be fitted into the first seminar have already signed up for a repeat program to be held Aug. 15-16.

## Migration to West Coast Hits Snags, Company Will Fly Back to New York

Last fall, National Telefilm Associates, Inc., shifted its headquarters from New York to Beverly Hills in a complicated airlift that allowed employees to work until regular closing time Friday night on the East Coast and pick up where they left off at 9 a.m. Monday on the West Coast (BW-Oct. 10 '59, p. 100). Now, less than a year later, NTA is ruefully planning to return to New York.

The expensive migration (about \$170,000) was expected to make it easier for NTA, a subsidiary of National Theatres & Telefilm, Inc., to coordinate its activity with its Beverly Hills-based parent. The snag was that a poor sales season for TV films kept NTA executives commuting to the New York advertising agencies. Many of them found that they were spending as much time in New York as they had when they lived there. This, of course, sent plane tickets, phone bills, and other expenses soaring.

Most of the 30 employees—plus 30 adult family members, 29 children, three dogs, two goldfish, and one parakeet—who were lured to California with two-year

contracts and a long list of fringe benefits, are expected to return to New York—though many of them have now learned to prefer California.

## Most Workers Unafraid of Automation, Many Expect to Benefit, Survey Shows

Most employees are more optimistic about the effects of automation than managers generally suspect, according to a survey by Fred Rudge Associates, Inc. Of 1,000 hourly workers interviewed in six major industrial areas across the country, 55% doubt that automation will seriously affect their job prospects in the next five years. Another 20% think automation will better their prospects.

Those workers who see no change either don't think automation is planned for their jobs or are confident that arrangements will be made to absorb displaced workers in other jobs. Many simply feel that their jobs can't be automated.

On other questions, 60% of the workers expected foreign competition to have little or no effect on their job prospects, and 15% thought foreign competition would have a good effect. The general employment situation in the 1960s will be very good according to 30%, unchanged according to 25%, and poor according to 25%—the remaining 20% had no opinion. In Detroit, however, only 10% thought their future employment situation would be very good, while 50% felt it would be poor.

## Management Briefs

To make sure that no qualified student is kept out of the Stanford University Graduate School of Business by limited finances, the university has set up a new student loan program tailored for the business school. Stanford will borrow up to \$4,000 per student from the Security-First National Bank, Los Angeles, and then lend it to the student, absorbing part of the interest. Initial loans will total about \$70,000; the eventual peak is expected to be about \$1.5-million. Loans are intended only for MBA candidates. Figuring that most doctoral students are heading for lower-paying teaching jobs, the university prefers to emphasize outright grants for them.

Like many diversifying companies, California Eastern Aviation, Inc., is looking for a new name. And it's turning for help to a novel source. Stockholders of record July 11—along with employees—have been asked to submit nominations up to Oct. 15. The individual whose suggestion wins favor with the board will get two round trip air tickets from New York to Rio de Janeiro.

Union Carbide Corp. last week elected a new president, 51-year-old Birny Mason, Jr. He succeeds Howard S. Bunn, 60, who moved to the newly created office of vice-chairman. Chmn. Morse G. Dial, 65, remains chief executive.



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## LABOR

# Settlement Reached in Rubber

● Firestone, Goodyear, and Goodrich conclude agreements with United Rubber Workers for a 9½¢ hike.

● Major 1960 negotiations remain in the electrical manufacturing and petroleum industries.

● If wage settlements continue to follow 1959's pattern, an average 9¢ an hour raise is predicted.

Dark clouds cleared away from another important 1960 bargaining horizon last weekend. Two major rubber companies reached agreements with the United Rubber Workers after quiet, peaceful wage talks. The settlements set an industry pattern.

Firestone Tire & Rubber Co. and Goodyear Tire & Rubber Co., negotiating separately with URW, concluded wage agreements with the union within a few hours of each other. Both settlements are for general wage increases of 9½¢ an hour plus extra allowances for skilled trades employees. B. F. Goodrich Co. settled later on similar terms.

The terms (only wages were involved in negotiations) are in line with what had been anticipated in Akron and other rubber manufacturing centers. The 9½¢ is close to the average 9.2¢ an hour median for wage settlements in the first half of 1960.

• **Skilled Raises**—The Firestone and Goodyear agreements also adjusted interplant wage scales to bring rubber workers' earnings more into line nationally.

Firestone's "package" terms included a 4¢ an hour increase for skilled workers in tire plants in Akron, Des Moines, Los Angeles, Pottstown, Pa., and Memphis. Goodyear granted an extra 5½¢ an hour for skilled workers in Akron and 6½¢ for those in Jackson, Mich. Goodrich gave its skilled groups 5¢ extra.

In 1959 negotiations, major rubber companies gave a 10¢ an hour raise, effective last September.

URW and the rubber companies negotiate separate contracts for wages and nonwage matters. They have now reached annual settlements on wages for six years in a row without a strike. The last pay strike was against Goodyear in 1954, for 51 days. However, in 1959 URW shut down Firestone, B. F. Goodrich Co., and U. S. Rubber plants for from three weeks to two months in disputes over noneconomic issues.

## I. Half-Year Record

After the rubber settlements and recent aircraft-missile agreements for 7¢

raises and fringes (BW—Jul.30'60,p55), major negotiations of 1960 have narrowed down to those in electrical manufacturing and petroleum industries.

Of course, problems could develop elsewhere. The United Mine Workers can reopen coal agreements at any time on 60-day notice. Airline contracts with various air transport unions expire this fall, and troublesome bargaining is possible from unions mobilized—for more strength—in a new Association of Air Transport Unions.

Nevertheless, attention and official concern at this time is focused on:

• **Electrical manufacturing** in which the International Union of Electrical Workers and other unions are in early stages of bargaining with the General Electric Co. and Westinghouse Electric Corp. (BW—Jul.16'60,p47).

• **Petroleum**, because Oil, Chemical & Atomic Workers and independent union contracts with a number of major oil companies expire in the next few months or can be reopened on wages—and OCAW is talking tough about a "must" raise of 18¢ an hour that employers say can't and won't be given.

So far, union talks with GE and Westinghouse have been in general terms; no conclusion of progress—or lack of it—are possible. No real developments in GE-IUE bargaining are expected until after preliminaries have been brushed aside and GE puts an expected offer to its unions on the table.

In recent years, wage adjustments have had a marked seasonal trend. They have touched their high point for each year during the second quarter, then tapered off during the last half of the year. If this is true again in 1960, then this year can be expected to turn out to be about the same—from a contract settlement standpoint—as 1959. This would mean an average 9¢ raise.

• **Settlements**—Up to the end of June, wage settlements were virtually the same as in the first half of last year, according to the Bureau of National Affairs, Inc., a private newsgathering and reporting service. BNA's running tally of wage adjustments for all industries set the median through June at 9.2¢ an hour.

The Median or middle figure in manufacturing raises was 8.2¢ an hour; in nonmanufacturing it was a substantially higher 11.7¢ or, if construction increases are excluded, 9.9¢ an hour.

BNA reported more long-term contracts with deferred wage increases—half of those negotiated so far in 1960 as compared with 39% in 1959 and 24% in 1958. And it reported "more emphasis on fringe bargaining" this year, with an increase in the percentage of agreements revising pension and insurance plans.

The reporting service noted that 2% of the settlements it checked provided for a reduction in hours, the same percentage as in 1958 and 1959.

## II. Trends in 1960

Bargaining trends in the first half of this year were largely a continuation of those of 1958 and 1959. There is every indication that they will go on with little or no change into 1961—when the principal bargaining will involve major auto producers and the United Auto Workers.

• **Employers Firm**—Management continued to bargain hard and to draw a firm line against increases in labor costs not warranted by increased output. The bargaining emphasis on total employment costs rather than just wages continued. Steel set the precedent for this in 1959. It's probably significant that the Ford Motor Co. is now placing more stress than ever before on its total labor cost figures, a hint of what's ahead.

Employers also continued their efforts to regain control over work rules and practices. In many bargaining situations, management rights on work rules issues proved more important than pay and fringe questions (BW—May21'60,p144). This is likely to continue.

• **Economic Worries**—The importance of deferred wage increases negotiated in previous years was underscored again in the first half of this year. The 1960 wage adjustments are in line with those made automatically under agreements signed in 1958 and 1959.

Otherwise, the bargaining into July has indicated a growing management-union concern over the sluggish state of business and the cautious estimate of what might be ahead. This has made employers more cost conscious, less willing to compromise. Along with today's substantial unemployment, it has tended to make unions more cautious at bargaining tables. They show militance—but less inclination to strike. This frequently has meant longer, harder bargaining. **END**

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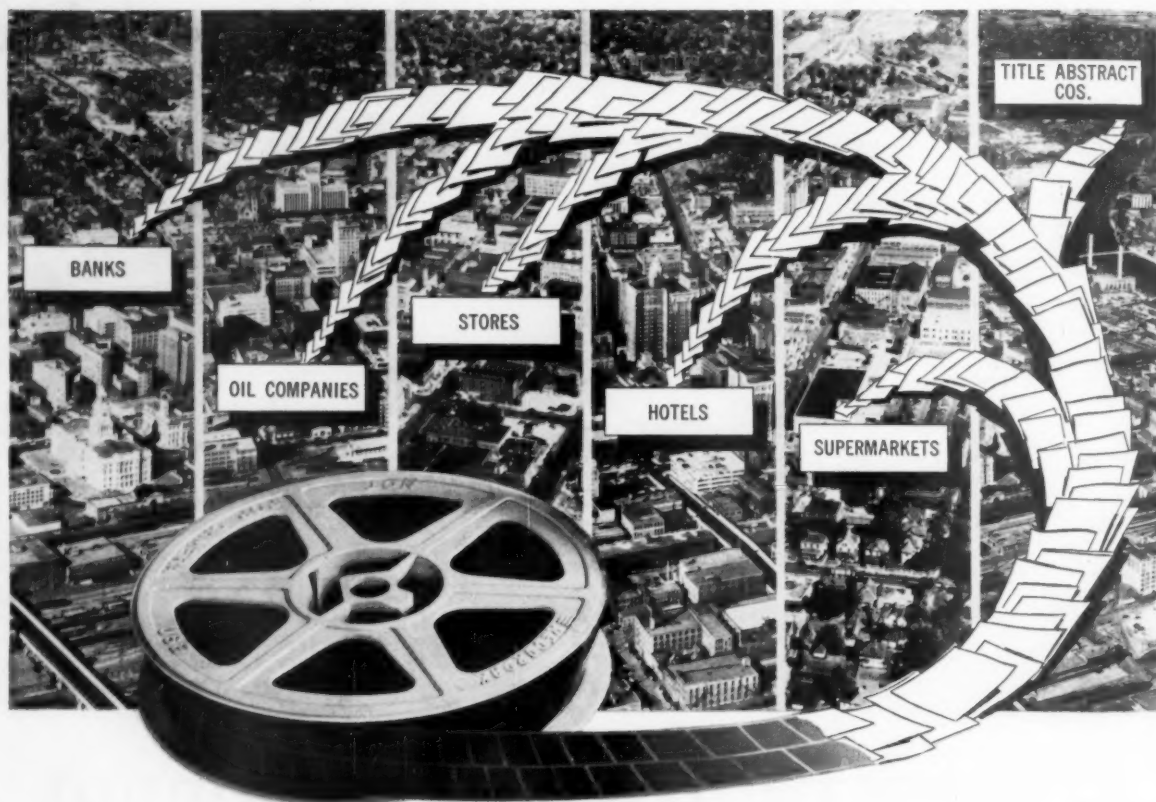
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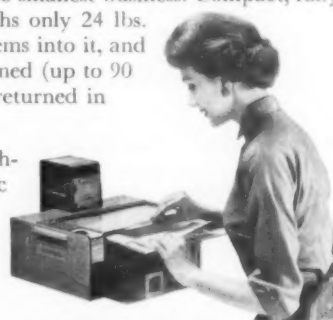
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# Union Shop for City Workers

**City of Philadelphia and public employees union agree on a precedent-setting plan. It will require some groups to join the union, let others join voluntarily, and bar some.**

Early in 1958, the City of Philadelphia and District 33 of the State, County & Municipal Employees (AFL-CIO) set a precedent with an agreement that recognized the union as exclusive bargaining agent for the city's 18,000 non-uniformed employees. The union—which has a tough time dealing with municipalities—said Philadelphia officials were “most progressive” in relations with organized workers.

In recent weeks the city and union have worked out a further “progressive” agreement, on a modified union shop. The parties call the agreement “another pioneering move in public service.”

• **Exempt From T-H**—Many of the problems encountered by the State, County & Municipal Employees, which claims 200,000 members in 1,598 locals, are a result of the union's exempt status under the Taft-Hartley Act. The union cannot use the law in organizing or bargaining, as other labor organizations do.

Despite this, the SCME has made slow but steady progress.

But, while gaining, SCME hasn't been able to get around two big problems: its recognition and agreements in most areas can be easily abrogated if a city administration shifts its policies, and almost all employees under SCME jurisdiction cannot in any way be bound to the union—they may be wooed into joining the union one month, drop out the next.

The new Philadelphia agreement is a compromise approach to the second of these problems faced by the union.

• **No Union Shop**—What the SCME would like is union shop coverage—agreements requiring state, county, or municipal employees to belong to the union wherever it has bargaining agent rights. Some time ago, SCME's District 33 asked for a union shop agreement in Philadelphia, where only 10,500 of the 18,000 employees represented by the union are dues-paying members of SCME.

City officials resisted the full union shop, but after negotiations with the union agreed on a modified union security agreement. This sets up three categories of city employees—one in which union membership is a condition of employment; a second in which membership is voluntary; and a third in which membership is forbidden.

The union considers the plan “important precedent” for other agreements covering public workers. Here's the Philadelphia breakdown:

- The group subject to mandatory union membership (for new employees only) is made up of blue-collar workers and a relatively small number of low-salaried clerical workers. In all, it includes 12,000 city employees. Those on the payroll now who aren't SCME members aren't required to join the union. New employees must, within six months.

- The voluntary group that can join the union or stay out of it with-

out jeopardizing jobs comprises most professional, technical, and clerical people—about 4,800 in all. Present union members can elect to continue in SCME or drop out when the agreement goes into effect.

- Supervisory people, about 1,200 in all, are barred from union membership unless, as in a few instances, they are members now. Some lower-rated supervisors are in the union and will be permitted to stay in it. Those not now in SCME and those who take supervisory jobs in the future can't be union members.

There is an escape clause, included at the insistence of the city's legal department. Present and future members may elect to leave the union during a 15-day period annually between June 15 and 30 without giving up jobs.



## Union Head Calls on Khrushchev

Joseph Curran (right), head of the National Maritime Union, and NMU aides met with Soviet Premier Khrushchev (left) during the unionists' 17-day, 7,500-mile tour of Russia in July. Curran commented afterward that the meeting with Khrushchev was “affable.”

He'll have more to report when he gets home this month, both on the conversation in the Kremlin and on the trip generally. From abroad, he said only that (1) visits with Soviet unions left the NMU group with an impression that Russian workers “seem satisfied” with their unions and working conditions, and (2) the NMU party “found nothing to contradict the contention of Western trade unions that the Soviet uses Communist-oriented unions to promote its foreign policy.”

The NMU president didn't wait for his return home to reply to critics in AFL-CIO who are finding fault with the Maritime Union leaders' trip.

“Anybody who thinks that African

and Asian workers are going to be impressed by the fact that American unionists won't visit Soviet unions is badly mistaken,” Curran said. “Labor movements in those areas are looking to the free labor movement for a positive program and positive action. It is likely that the ‘quarantine’ policy the AFL-CIO so self-righteously maintains toward Soviet labor will be regarded by union people in Asia and Africa as nothing more than a sign of weakness and doubt.”

One of the critics of the NMU trip into Russia, Paul Hall, head of the rival Seafarers' International Union, objected to a visit that he said would help the Soviet Union in its “desire to obtain a cloak of respectability for its unions, no matter how sincerely American delegations may regard [visits] as an opportunity to breach barriers.” Hall also criticized “meeting with governing powers of a country which . . . slammed the door in Pres. Eisenhower's face.” **END**

# In Labor

• • •

## Rubber Workers to Vote on Giving

### The Same Strike Benefits to All

Delegates to the United Rubber Workers convention next month will be asked this question: Should a URW member draw strike benefits from a union defense fund as a matter of right—the same for all—rather than only on a basis of need?

URW's constitution limits "strike relief" to payments on a basis of need for such things as food, housing, and medical care. Along with other unions, URW is finding such a program inadequate in today's harder bargaining and trend toward longer strikes (BW—Jul.23'60,p71).

The Rubber Workers executive board plans to recommend a larger defense fund and strike benefits for all. This could mean an overhauling of the URW dues structure, too. Present union income isn't considered sufficient for a strong defense fund.

• • •

## Hercules Powder Workers to Share

### \$2-Million Under Savings Plan

Hercules Powder Co. employees who were enrolled in the first year of the company's contributory short-term savings plan will share \$2-million in stock and U.S. bonds this month. Hercules reported early this week that 3,363 employees will get 24,188 shares of the company's common stock and 10,269 Series E bonds of the \$50 denomination.

The savings are for the first year of the plan, to June 30, 1957. The short-term savings plan begins returning savings—in Hercules stock, government bonds, or both—after four years' participation. There also is a long-term savings fund in which savings are held until an employee retires.

Altogether, some 7,000 employees are signed up in the two plans, for savings up to 10% of earnings.

• • •

## Unions Plan to Buy Miami Hotel

### For Use of Retired Members

Eight unions are negotiating to buy the President Madison Hotel in Miami Beach for an undisclosed price to be used as a retirement resort or home for union members and their families. This would be the first Miami Beach hotel to be owned and operated by unions, although unions—notably the Teamsters—hold mortgages on a number of others.

The 205-room President Madison was built in 1939.

A preliminary purchase agreement has been signed by Four Freedoms Hotel, Inc., set up to handle the deal for the unions. A deposit has been paid, and the transaction should be completed before October.

A Four Freedoms spokesman said the participating unions are the National Maritime Union; American Radio Assn.; International Brotherhood of Operative Potters; International Union of Electrical Workers; International Leather Goods, Plastics & Novelty Workers; Textile Workers Union of America; Aluminum Workers International Union; and Laundry & Dry Cleaning International.

• • •

## Steelworkers Balk at Plan to Ease

### Incentive Costs at Pittsburgh Steel

Pittsburgh Steel Co. has complained for years that it is at a competitive disadvantage in the steel industry because of its higher labor costs—by its calculations as much as 46¢ an hour above industry averages. The company blames incentive costs that have pyramided over the years.

The steel producer tried unsuccessfully to get its incentive provisions revised during the industrywide contract bargaining in 1959. When other companies settled, Pittsburgh Steel also agreed to the general settlement terms. However, the company continued efforts to get relief on incentives—not on rates as much as on job classification and other contract provisions that tend to boost incentive earnings.

The United Steelworkers at first resisted changes. Later, it agreed to sign a contract with Pittsburgh Steel that would leave the question to a study committee.

The committee recently made its report. The company accepted its proposals—still unannounced at mid-week. USW locals involved turned down the terms, and Pittsburgh Steel announced that it was putting into effect unilaterally a plan it initially suggested for adjusting rates over a two-year period. This freed USW locals to strike on five-day notice, and they promptly notified the company they plan to go out next week.

• • •

## Labor Briefs

John E. Mara, 39, regional director of the Boot & Shoe Workers in St. Louis, last week assumed the presidency of the union, succeeding his father, John J. Mara, who died in mid-July. Joseph W. McGonigal, BSW executive vice-president, said the union executive board chose the new president for "youth and vigor"—qualities needed for labor progress today.

The Upholsterers' International Union and Kroehler Mfg. Co. last week signed a three-year contract that skips a pay rise this year. The pact covers 3,250 production workers in plants in 10 cities. It increases insurance coverage somewhat, grants a modified union shop. Wages will be reviewed in January of 1961 and 1962.

Labor Secy. James P. Mitchell last week used new Landrum-Griffin powers to move to invalidate an election held by an independent local at Esso Standard Oil's Bayway (N.J.) refinery last February. The Secretary filed in federal court charges that the local failed to provide adequate safeguards to insure a fair, democratic vote.

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## CHARTS OF THE WEEK

### Price Gap — Domestic vs. Imported Finished Manufactures

Jan. 1957 = 100



Data: Bureau of Foreign Commerce, Dept. of Labor

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## Domestic Producers Gain Ground

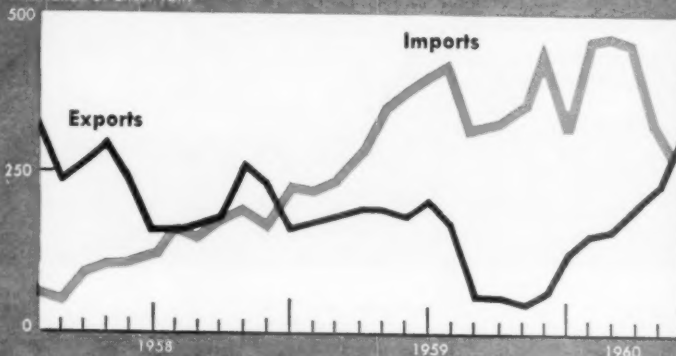
Prices of goods imported into the U. S. have been rising faster than prices of domestic merchandise. In May, the average unit value of imports of finished goods was 4.3% higher than the low point in April, 1959. U. S. wholesale prices for finished manufactures increased only 0.3% in the same period.

Domestic manufacturers have been

fighting hard to hold the price line on their products in order to meet the competition from imports. A year ago this rivalry was a formidable problem in many industries; it still is in some. But relief is in sight because the industrial boom abroad has brought higher labor costs in most European countries and Japan and thus forced prices up.

### Steel Export & Imports

Thousands of Short Tons



Data: American Iron & Steel Institute

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## Tide Turns for U. S. Steelmakers

For 17 months, the U. S. imported more steel each month than it exported, but American steelmakers managed to turn the tide in May, 1960 (BW-July 30'60,p19).

Imports began exceeding exports in December, 1958, because of the price advantage afforded by foreign steel, despite the added shipping costs. But the price gap has narrowed. Imported

wire rods were selling at \$6-\$6.35 per 100 lb. landed at this time last year; they are now going for \$6.20-\$6.60. Domestic prices have held firm at \$6.40 in the East and South and at \$7.20 on the West Coast, the same as a year ago.

The 116-day steel strike provided opportunity for further foreign inroads.

Lately, diminishing demand in the U. S. has forced American steelmakers



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to step up their promotion of export markets, and their efforts seem to be showing results.

The level of Western European and

Japanese export prices will be an important factor in determining the quantity of steel imported in the remainder of this year.



## U. S. Aluminum Goes Abroad

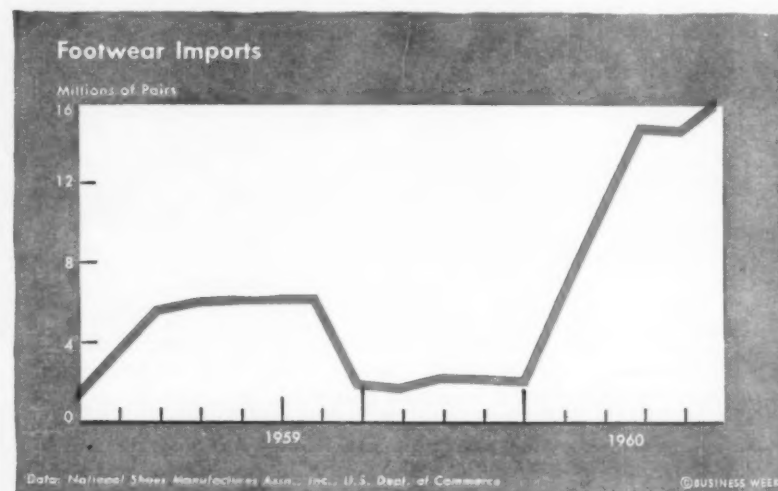
For the first time in the postwar period, the U.S. has become a net exporter of primary aluminum. Exports thus far this year have been more than double imports, contrasted with a reverse ratio last year, and a 24-to-1 import balance in 1953.

The shift is the result of overcapacity and reduced demand in the U.S., plus inability of foreign producers, particularly in Europe, to meet needs.

American producers have had to

shave their prices for overseas customers. Primary pig aluminum has been selling in the U.S. at 26¢ a lb.; it brings only 23¢ in export markets.

However, such a large export balance is not expected to last. Foreign producers are rapidly expanding capacity and catching up with local requirements, and U.S. domestic demand for aluminum is expected to pick up shortly in autos, construction, and defense.



## Big Gain for Foreign Shoes

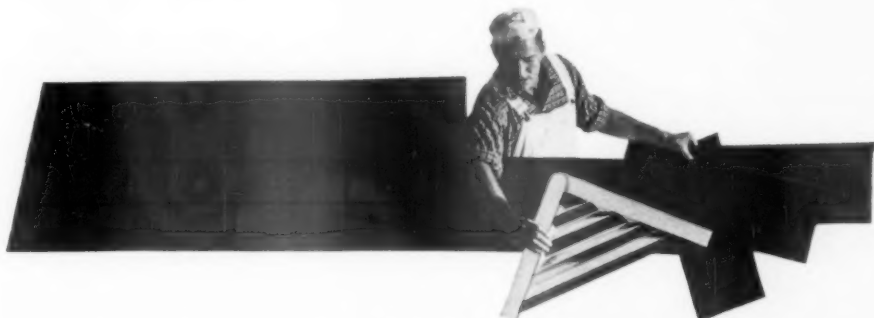
A record-breaking 16-million pairs of foreign-made footwear moved through U.S. customs in May. Shoe imports for the first five months this year were 67.6-million pairs, compared with 23.4-

million for the same period last year.

Four out of five pairs, mostly of inexpensive quality, came from Japan and Hong Kong. Increasing lots of better shoes are being imported from Europe.

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Here are several excellent examples of how manufacturers are taking advantage of the unusual properties of Geon vinyl on aluminum to open new markets and improve existing products. To learn more, write Dept. GA-6, B.F. Goodrich Chemical Company, 3135 Euclid Avenue, Cleveland 15, Ohio. Cable address: Goodchemco. In Canada: Kitchener, Ontario.

\*A program of Reynolds Metals Co.



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# The Growth Force That Can't Be Overlooked

**F**or a couple of centuries, professors of economics have been telling the young—and each other—that the factors of production are land, labor, and capital. Sometimes a daring professor, given to theoretical innovations, would add a fourth factor of production: the entrepreneur, who assembled the other three factors and put them to work.

But the entrepreneur, or "management," as we now say, never quite made the grade among the classical triumvirate of land, labor, and capital—because it was hard to establish the relationship of management to increases in output. In fact, in recent times, Prof. C. Northcote Parkinson discovered that the increase in the number of managers proceeded by its own inner law of growth, without reference to the amount of work to be done. Indeed, the amount of work often contracted as the number of managers expanded.

• **Overrated**—This discovery has helped to raise doubts about how much the other factors of production are actually doing to increase total output. Much recent research does show that land, labor, and capital have all been vastly overrated as causes of increases in output.

Labor—like capital—may be subject to Parkinsonian inversions: The more output rises, the fewer workers you need (this has become alarmingly true in manufacturing and mining).

Land (a generic term for all natural resources) obviously plays a less and less important role in an industrial society—as the Swiss, the Swedes, the West Germans, and the U.S. itself are delighted to discover. As for its relation to increases in output, when land in the U.S. was taken out of production and put into the soil bank, farm output increased.

That leaves capital. But capital, too, often seems to play a relatively minor role in the growth of production. The really great factor, which dwarfs all others, is technology—the factor which economic theory has always taken for granted.

• **The Hidden Force**—Economics has so taken technology for granted that we scarcely know what it is. It is the "residual" element in the growth in output which can't be explained by anything else—it is the mysterious element consisting of new knowledge, new techniques, new skills, new organizational schemes. It's what makes productivity grow when you aren't investing anything more in plant and equipment to make productivity grow.

Just how enormously technology outweighs investment in plant and equipment in producing increases in per capita output is shown by three recent studies—covering different periods of time but arriving at similar results:

• Solomon Fabricant, of the National Bureau of Economic Research, has found that, during the period 1871 to 1951, technological advance accounted for 90% of the rise in U.S. output per man-hour, as against 10% for increased capital.

• Robert Solow, of the Massachusetts Institute of Technology, found that, from 1909 to 1949, 87.5% of the growth in output per man-hour was due to improving technology, only 12.5% to the increase in capital equipment.

• And Benton Massell, of the RAND Corp., studying the period 1919-1955, finds that technological change accounted for about 90% of the rise in output per man-hour.

• **Meaning for Policymakers**—These three independent studies have important implications for both economic policy and theory. Writing in the Review of Economics and Statistics, Massell discusses the significance for policymakers. In the future, he declares, they will have to worry more about the factors that govern the rate at which innovations are injected into the economic system than about the variables—such as taxes, interest, sales-capacity ratios—that determine the rate at which additions are made to the stock of capital.

Programs for economic development will have to be more concerned with scientific and industrial research and education than with so-called "capital-output ratios"—which some nations (such as India) have used as the core of their program.

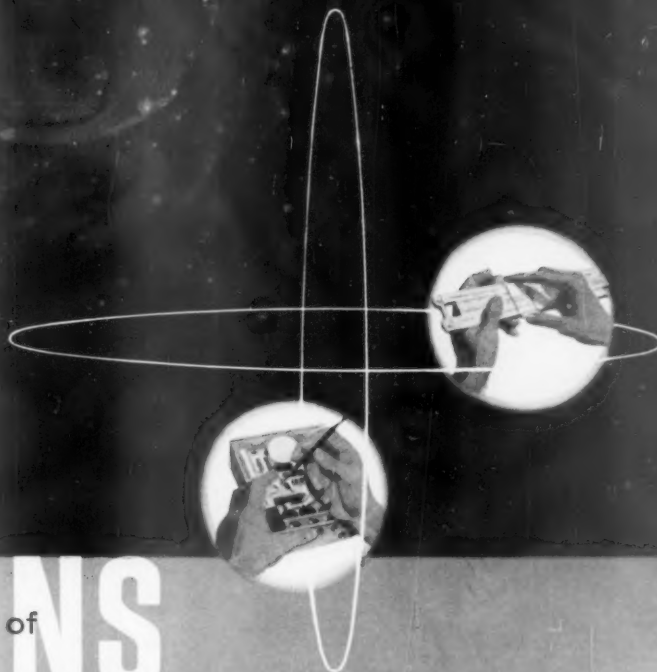
• **Embarrassed Economists**—The discovery of the overriding importance of technological change should be, says Massell, "no small cause of concern, and possibly embarrassment to economists," who have traditionally treated technology as lying outside the theory of production.

Ignoring technological change in explaining short-term shifts in output was probably all right in the days of Ricardo, when "the given state of technological knowledge was relatively static," says Massell. But nowadays this loose assumption of static technology has become seriously misleading, he adds—especially since the factor taken as "given" accounts for 90% of the changes in output economists are trying to figure out. This was the point that Business Week developed in its special report, The U.S. Invents a New Way to Grow (BW—Jan. 23 '60, p52).

• **Technology and Investment**—To stress the role of technological advance is not, of course, to deny that its impact upon the economy works through the investment process. New knowledge generally doesn't begin to operate until it's embodied in new investment. Knowing how to automate an assembly line won't do much for the economy until you invest in the new equipment. But the new equipment may cost no more—or weigh no more—than the old.

However, an economy that's rapidly increasing its capital stock is also likely to be accelerating the process of technical advance. And the converse of that proposition is probably more important still: The rate of capital investment will be greatest when innovational change comes fastest—because the rate of profit will then also be high.





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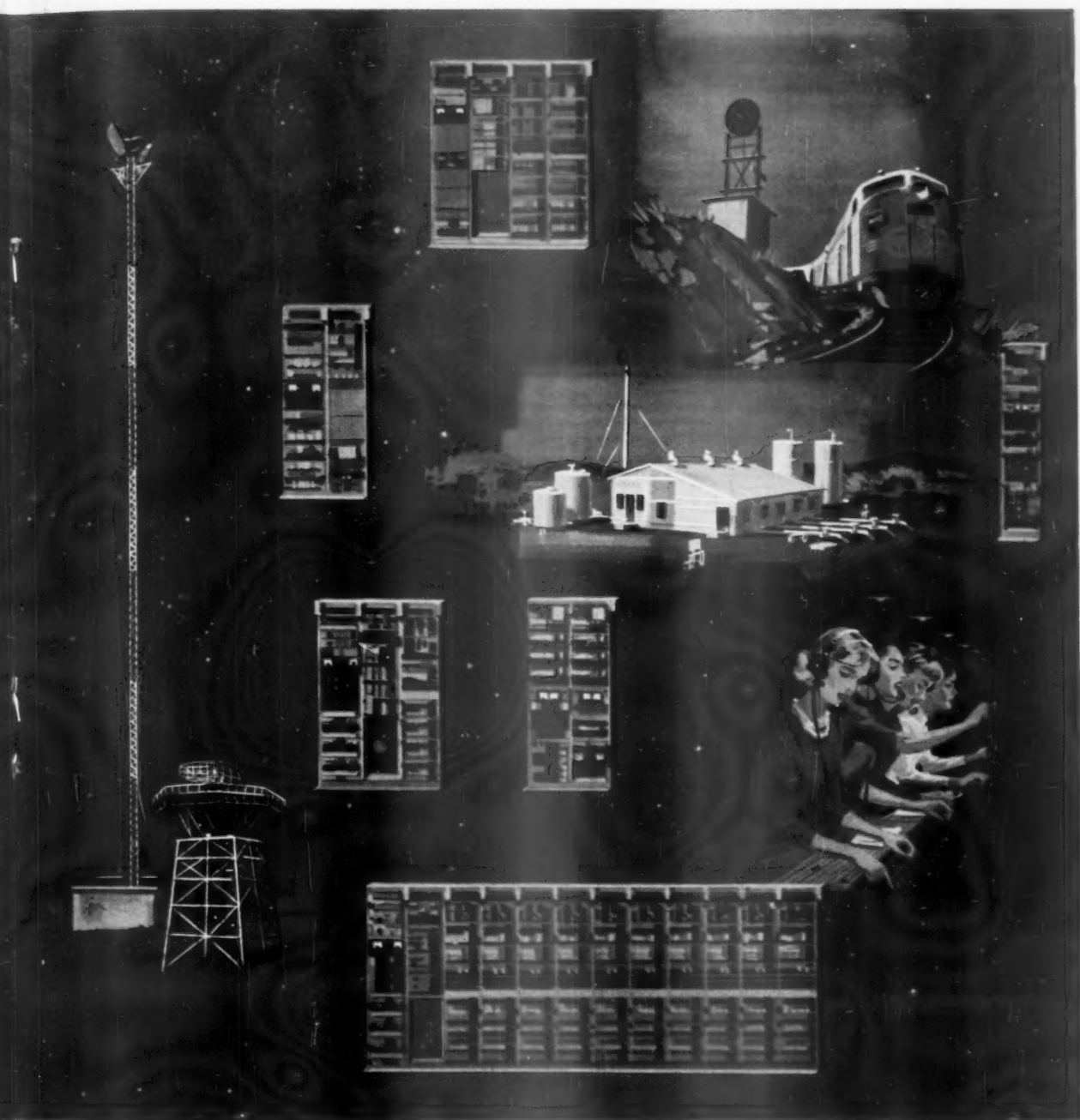




## the field of SCATTER COMMUNICATION

This radio technique is most advantageous when highly reliable communication is required over broad expanses of rugged terrain, water, or uninhabited areas. The radio signal from a powerful transmitter is "scattered" in the atmosphere, and a small portion of the signal is captured by high gain antennas and sensitive receivers. Collins was a pioneer in the research and development of the scatter technique. Collins systems are in operation at the DEW Line, telephone and petroleum companies, and in special transportable systems for the U. S. Army.

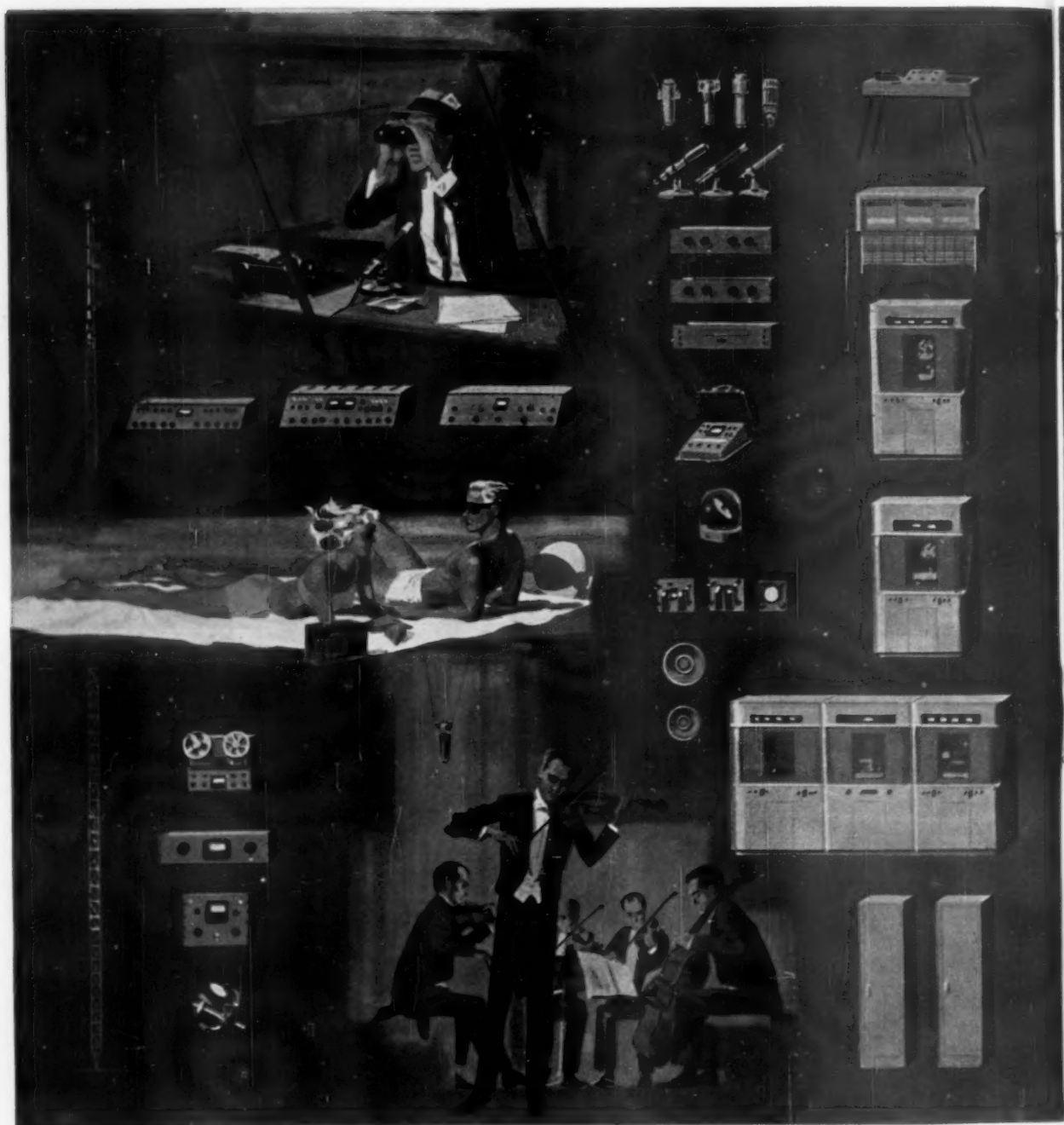




## the field of MICROWAVE COMMUNICATION

Providing reliability formerly associated only with wire lines, this radio technique relays communication and control over hundreds of miles using line-of-sight links. A microwave system can handle hundreds of voice, teletypewriter, facsimile or control channels. It relays television and radar displays. It actuates remote control functions, is especially applicable to unattended operation. Collins microwave systems are in use by telephone, railroad, petroleum, utility and government organizations.





## the field of RADIO BROADCASTING

To recreate for the listener the drama of spot news coverage or entertain with music and comedy, the broadcaster relies heavily on electronics. Collins began building its reputation for quality equipment in this area of the entertainment industry when it introduced its first broadcast transmitter in 1934. Today Collins transmitters are in operation all over the world, and the Company offers complete equipment ranging from microphones to antennas, for AM and FM stations, as well as audio, weather radar and microwave equipment for TV.



## the field of DATA COMMUNICATION

Now in scientific and military usage and rapidly being adapted to business computer and data processing requirements are Collins Kineplex® Data Transmission Systems. This technique multiplies information rates previously possible over radio and telephone circuits. Kineplex links data processing centers to accelerate handling of data on missile performance, ballistic range instrumentation, tactical deployment, early warning detection, world-wide logistics, inventories, payrolls, scheduling.





## the field of SYSTEMS MANAGEMENT

Increase in size and complexity of electronic systems led to the formation of a systems organization — the Alpha Corporation — as a Collins subsidiary. Alpha's team function is total systems management, integrating the thousands of "black boxes" into operating systems including the physical environment — sites, buildings, towers, facilities. Representative Alpha projects are space surveillance systems; transportable communication systems; instrumentation, control and switching systems; integrated land, sea and air communication systems.



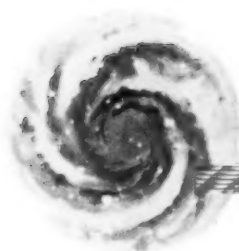
## IMAGINATION - Basic Product of

### Collins Creative Leadership in Electronics

A creative research and development force — representing some 25 per cent of Collins employment — is at work making obsolete the very products in this portfolio, products now the most advanced in their fields. This concentration of engineers, scientists and technicians is dedicated to continue the Collins objective of scientific improvement. A sampling of current fields in Collins research are solid state physics, thermoelectric phenomena, information theory, network synthesis and digital processing. Discoveries in these and other investigations will be developed into new products and improved services.

Collins Radio Company encompasses a world-wide corporate organization with divisions and subsidiaries drawing on the talents of 13,000 men and women, and utilizing advanced facilities with some 2,000,000 square feet of floor space and 622 acres of land. Collins markets its extremely diversified range of products and services direct and through dealers, distributors and representatives.

The story of Collins Radio Company is an interesting example of American enterprise achieving scientific improvement which in many ways affects every person in the world. This year Collins expects to close its fiscal period with the highest sales in its history, a result of visionary research in years past. You may expect the work now in progress to mature into even greater accomplishments in the future.



**COLLINS RADIO COMPANY**

Principal factories and laboratories at Cedar Rapids, Iowa; Dallas, Texas; Burbank, California and Toronto, Ontario. Sales offices located throughout the world. Wholly owned subsidiaries: Alpha Corporation, Richardson, Texas; Communication Accessories Company, Lee's Summit, Missouri.



ACF

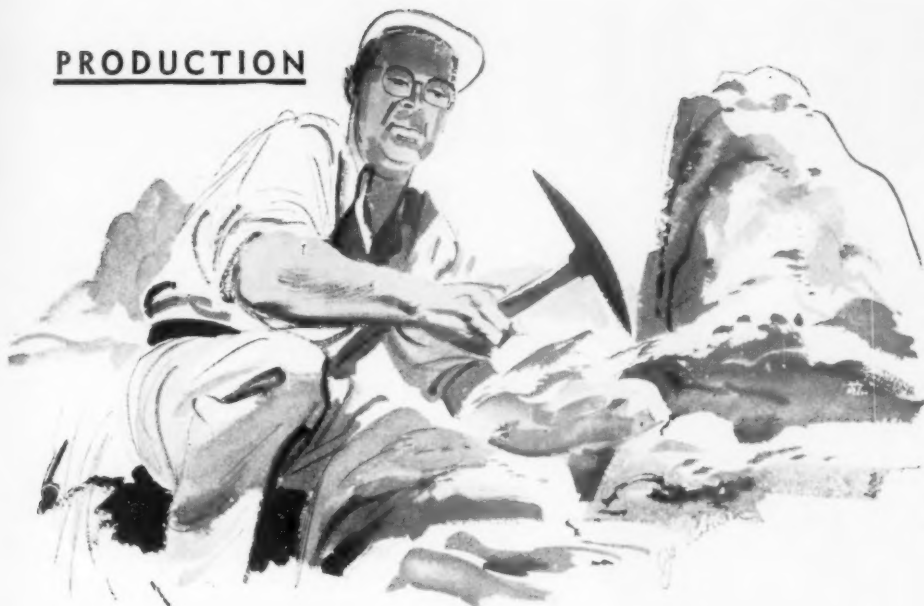
## new members of a long line

Today the ACF 85' Hitch Hiker flat car is rapidly becoming a standard for piggyback service. Based on ACF's understanding of their customer needs, this car and the ACF Trailer Hitch were designed to provide all the qualities—lightweight, flexibility, cushioning—needed to increase piggyback traffic. ■ These products which are members of a complete ACF line of railroad car equipment are an example of ACF's contribution to their customer needs.

### AMERICAN CAR AND FOUNDRY

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## PRODUCTION



TAKING SAMPLES, geologists collect rock in beryllium lands in Utah.

# Queer Rush On for Beryllium

In a desolate area deep in western Utah, geologists like those in the drawings are prospecting for a rare, almost exotic metal—beryllium. This is in some ways a kind of rich man's stainless steel.

The costs for mining, processing, and fabricating the metal are enormous, and customers aren't clamoring for it in great numbers. Yet for some reason that's not clear even to many people in the business, there's a boom coming on in beryllium mining that's reminiscent of the old uranium and titanium bonanzas of a few years back.

It's centered in the arid, scrubby Topaz Mountain area about 100 miles south of Salt Lake City. There prospectors such as E. I. du Pont de Nemours & Co., Food Machinery & Chemical Corp., Combined Metals Reduction Co., Vitro Minerals Corp., and Beryllium Resources Corp. are scrambling into rock samples and staking out claims just as some of their wild-eyed predecessors did in the days of the big uranium strikes. Vitro Minerals and Beryllium Resources hold the two largest claims; about 2,500 acres each.

Some beryllium experts still are cautious about all this interest and about the future of the tough, light metal. "Beryllium right now has more glamor than actual demand," says one skeptic. However, others insist the \$40-million-a-year industry is in a time of lusty growth and would be even better off but for ore shortages.

Of the 8,100 tons of beryl mineral used by processors last year, only 328 tons were mined in the U.S. It's this shortage that the five big prospectors

in Utah hope to remedy. Among the more optimistic miners is Bruce W. Odium, president of Beryllium Resources Corp. In domestic beryllium finds and new or "imminent" breakthroughs in refining, Odium sees "the threshold of a major new metal industry."

• **Beryllium's Uses**—Beryllium is blessed with features that could put it in demand if the price were right. It weighs about one-third less than aluminum and, pound for pound, is three times as strong as steel. It has an extremely high melting point (2,345F)—twice that of such other light metals as aluminum

or magnesium. With a high strength-to-weight ratio, the metal seems to have its best future in the aeronautical and space market.

Because of its high cost and difficulty of fabrication, beryllium's main commercial use right now is in small amounts as an alloy for other metals.

Beryllium-copper, used for electrical contacts and springs, accounts for 60% of the beryllium used in the U.S. With its electrical conductivity, strength, and resistance to corrosion and fatigue, beryllium-copper is widely used in refrigeration and air-conditioning equipment, business machines, sensitive



STAKING OUT A CLAIM, man builds mound of stones around a stake. A description of the claim is usually put in a tin can under the stones.

# STARDOM

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might easily result  
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starches, synthetic resins  
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highly successful in helping  
many of our customers achieve  
a level of success for their  
products that deservedly  
can be called—STARDOM.

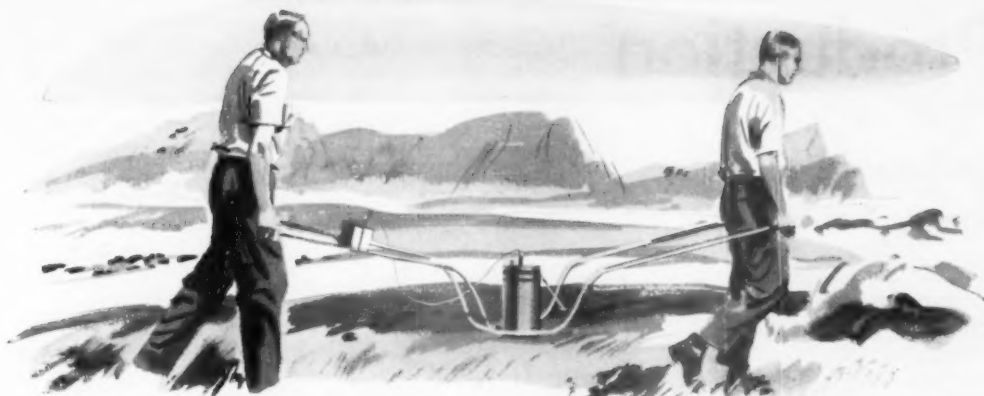
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BERYLOMETER is usually carried into the field on a long stretcher like this.

instruments, and communications and electronic equipment.

Beryllium also alloys with aluminum, iron, nickel, cobalt, silicon, and a few other metals.

• **High Costs**—The big job, as the industry sees it, isn't so much to find new markets as to pull costs down and assure some kind of long-term supply. "If you can make beryllium just a little competitive," says one user, "the markets will take care of themselves."

A look at some of these costs explains why beryllium has been all but orphaned by the basic metals industry. Ore containing beryl, the bluish-green mineral from which beryllium is refined, costs around \$400 a ton. Even at this price, average ore will run only 3% to 5% beryl. About 100 lb. of processing chemicals are needed to produce a pound of beryllium, so the tab for the finished metal runs to about \$70 a lb. Because beryllium is so difficult to fabricate, the cost of products made from the pure metal may hit three times that amount.

For now, at least, most of the industry's hopes for cutting costs hang on new developments in mining and processing.

• **Mining**—In the raw ore, beryl occurs in the form of crystals salted through dikes of coarse granite rock called pegmatite. You don't ordinarily find this mineral by itself. The crystals are usually mined along with other minerals from the same ore, and the beryl is "hand-cobbed" or hand-sorted out.

However, a new detection device promises to change all this. Geologists have known for some time that beryllium occurs in some 30 other minerals besides beryl. But the concentration or grade of this beryllium is not always up to what it is in beryl, and—as in the case with beryl ore—it has been difficult to find these other minerals in the ground.

With the new instrument, however, geologists learned they can pinpoint these beryllium-bearing ores in large-tonnage deposits. Whether or not these deposits are economical to mine will

depend a good deal on the grade of the beryllium and how expensive the mining process would be.

• **New Detector**—Both Vitro Minerals and Beryllium Resources are working separately on these points. The deposits they have in the Topaz Mountain area are of a new mineral form of beryllium. It was detected in the ground with a Beryllometer, the brainchild of scientists at the University of Manitoba.

This device, manufactured by Isotopes Specialties Co., has a radioactive source that bombards the beryllium with gamma rays. The beryllium reacts by throwing off neutrons whose signal the Beryllometer picks up.

The catch is that the instrument can't probe deep into the ground; samples must be placed under it for testing. This limits geologists to "surface" deposits, which hampers prospecting, but it means the beryllium-carrying ore can be taken out of the ground by less expensive open-pit mining.

The Beryllometer is no simple Geiger counter you can pick up at the Army

surplus store. The cost may vary from \$2,500 to \$4,000, by the time you buy the instrument, the lead container for transporting it in the back of a pick-up truck, and the two-man "stretcher" or "sling" for carrying it in the field. There are probably fewer than 35 in use. This is the main reason you don't find amateur prospectors camping in Utah's beryllium "fields." Beryllium-hunting is too specialized a job.

• **Processing**—Another possible breakthrough is a new process for concentrating, which means separating the beryl crystals from the ore. Now, this is done by hand-sorting. But Dynamic Metals Corp., a sister company of Beryllium Resources, has a process for "floating" beryl from the rock. Although beryl has been floated before, the process has never been commercially practical.

The Dynamic Metals process suggests several advantages besides doing away with hand-sorting. It can concentrate the lower-grade mineral from ore that may already have been picked over for its higher-grade beryl. In the same way, it could also concentrate particles that are now considered too small to hand-sort.

Because of the greater efficiency of this process, there's another bonus to be had: Beryl could be separated from pegmatite previously considered of too low a grade to process by itself instead of as part of another mineral exploration.

• **Farther Afield**—Outside Utah, other eager geologists are probing beryllium properties in South Dakota, Colorado, Nevada, New Mexico, and up toward the Arctic Circle.

Whether these stepped-up prospecting activities and "breakthroughs" in mining and processing will really revolutionize the beryllium industry is doubtful, since the cost of fabricating the metal is still prohibitive for wide use.

"But, at least," says one industry expert, "we're eliminating some serious supply bottlenecks and cutting the dickens out of our refining costs." **END**



DEVICE tests samples of ore.

# In Production

• • •

## New Air Pollution Control Program Cracks Down on Pittsburgh Steel Mills

The stiffest air pollution ordinance yet has been slapped on Pittsburgh steel mills and other industry.

In a sweeping new program effective this week, Pittsburgh and Allegheny County—previously under different laws—have been brought under the same regulations. These are stricter than before, and take in several new contaminants, including radioactive emissions. The new controls will probably cost Pittsburgh's heavy industry around \$100-million, about 2½ times the amount laid out under the old smoke control statutes.

The steel industry is in for the heaviest clampdown. The new, tighter ordinance applies to every mill furnace in Allegheny County, where the old law covered only the few mill furnaces within city limits and certain types in the surrounding county. Open hearths, electric furnaces, and sintering plants operated by steel mills come under the same limitations previously put on blast furnaces, coke plants, and other mill furnaces.

The steepest cost will be for cleaning up the open hearths. Fewer than half of some 50-odd steelmaking furnaces in the district are now equipped with electrostatic precipitators for smoke control. It will cost between \$500,000 and \$1-million per furnace to bring the others under the new law.

The law provides specific limits on matter in smoke from industrial furnaces, with the limits varying by the type of furnace. Generally, dense smoke is prohibited from any source. It can be no more than 40% black, meaning that 60% of the light in the background sky must shine through.

For industrial furnaces other than steel, generally no more than 0.65 lb. of solids are allowed per 1,000 lb. of gas. For steel furnaces, the rules vary.

The Bureau of Air Pollution Control, operating within the County Health Dept., is in charge of the program.

• • •

## Helium-Cooled Vacuum Arc Furnace For Reactive and Refractory Metals

The first large helium-cooled vacuum arc melting furnace for recovering titanium scrap and other reactive and refractory metals has been developed by National Research Corp. The furnace, which has made 10 successful pilot runs, is used to melt and recast reactive and refractory metals into ingots and simple castings.

The use of helium gas promises more safety than the conventional water-cooling systems used in other large vacuum arc melting furnaces, NRC says, because titanium and certain other reactive metals may explode if they come in contact with water. So the possibility of a pipe break in a water-cooled furnace is a major hazard.

Other features of NRC's furnace include vacuum melting by consumable electrode and skull melting by

permanent electrode. In the vacuum melting process, the electrode that supplies the starting heat or initial spark before the furnace takes over is made of the same metal as that being melted, and is consumed in the melting process. In skull melting, where the metal can be poured right into either ingot or shape castings, the electrode is reusable.

NRC will use the furnace for studying new melting techniques and for research on melting and casting of other refractory and reactive metals and alloys.

• • •

## Coastal Service Gets New Freighters Designed for "Containerized" Shipping

The first two coastal freighters designed and built specifically for containerized shipping will enter service this month between New York and Jacksonville, Fla.

Built at a cost of \$7-million, the vessels will be operated by Eric & St. Lawrence Corp. Each carries up to 2,100 short tons of cargo in its 170 lightweight sealed containers, 35 of which are for refrigerated cargo. This full capacity can be loaded or unloaded in 4½ hours, using fork lift trucks. The 360-ft. ships will also have deck space for 50 automobiles.

• • •

## Three Companies Join in Tests Of Underwater Storage Tanks

Underwater storage of gasoline, oil, and other liquids is getting a major trial in St. Petersburg, Fla. Last week, three companies, Global Marine Services, Inc., St. Petersburg, Jet Fuel & Storage Co., of Washington, D. C., and Firestone Tire & Rubber Co., teamed up on a project to anchor large rubberized nylon bags to the bottom of the bay, where they will be filled by pipeline from shore.

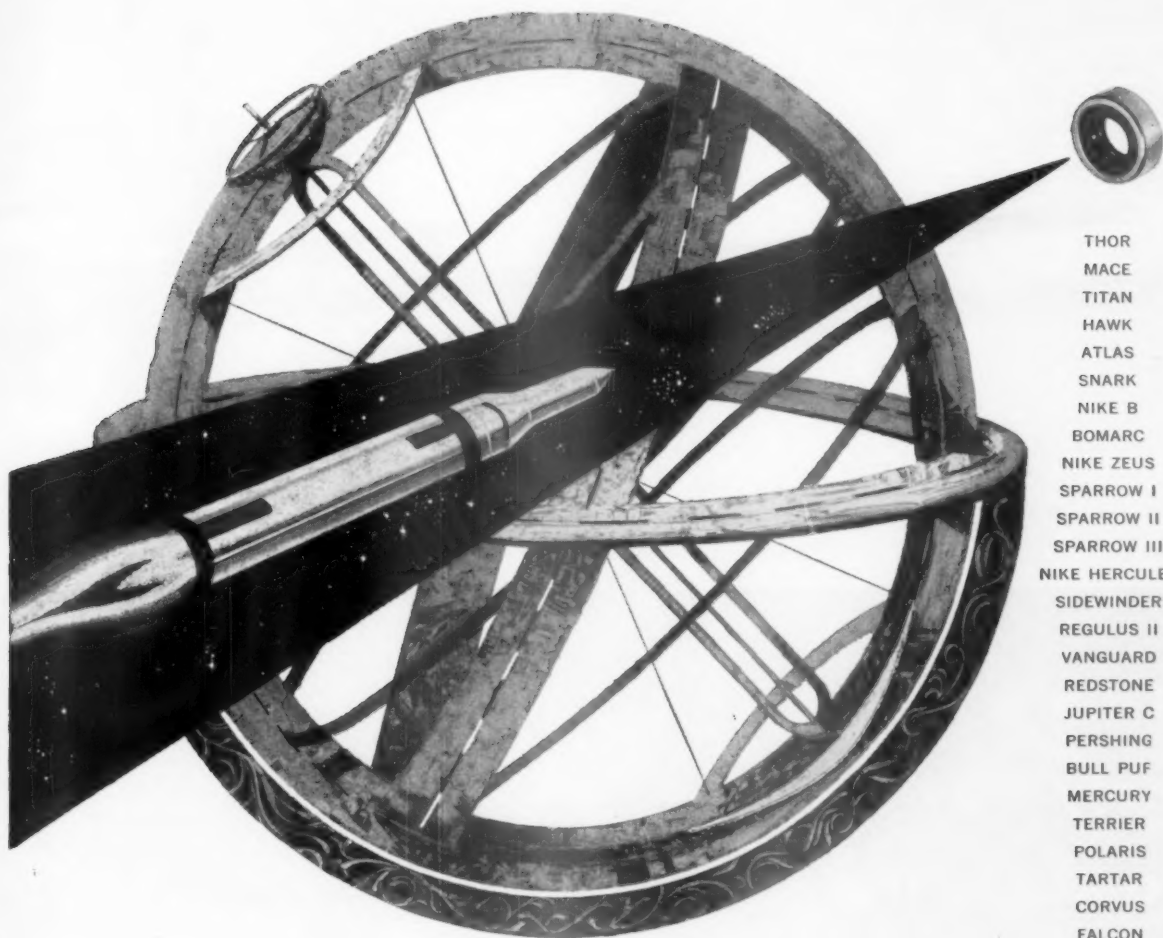
The collapsible tanks in the system were made by Firestone, which believes the underwater technique will be cheaper than land storage tanks. In addition, the tanks can be towed from place to place either empty or full.

• • •

## Production Briefs

Compact equipment for separating water from the saturated steam in a nuclear reactor system is under development at General Electric's Atomic Power Equipment Dept. in San Jose, Calif. Right now, mechanical separators outside the reactor separate the two, but GE feels high-capacity separators smaller than presently available are needed within the reactor vessel itself. Elimination of external steam separation and piping would cut plant capital costs.

American Can Co. is entering the glass container manufacturing business. First plants of a new, majority-owned subsidiary, American-Wheaton Glass Corp., will be at Minneapolis and Terre Haute, Ind.



THOR  
 MACE  
 TITAN  
 HAWK  
 ATLAS  
 SNARK  
 NIKE B  
 BOMARC  
 NIKE ZEUS  
 SPARROW I  
 SPARROW II  
 SPARROW III  
 NIKE HERCULES  
 SIDEWINDER  
 REGULUS II  
 VANGUARD  
 REDSTONE  
 JUPITER C  
 PERSHING  
 BULL PUP  
 MERCURY  
 TERRIER  
 POLARIS  
 TARTAR  
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 FALCON

## *Adds New Dimensions To High Speed Gyro Rotor Bearings!*

At speeds up to 24,000 RPM precision rotor bearings in inertial guidance and navigational systems are highly critical components. Early research and development in design and manufacturing at New Departure is solving the problem and thus winning vital roles for N.D. integral rotor bearings in missile projects. For example, "B" Series bearings with separable inner ring developed by N.D. are helping set performance records in such inertial guidance systems as the ACHIEVER.

New Departure is also supplying high-precision rotor bearings for the inertial guidance system in Polaris.

These bearings, through advanced manufacturing techniques, exacting inspections and controlled environmental tests, backed by 50 years of laboratory testing experience, give precision and uniformity far above the most precise industry standards. They promise new performance and *reliability* for the submarine-launched IRBM.

You can look to improved *performance* and *reliability* when you include an N.D. Miniature/Instrument Bearing Specialist in early design level discussions. Call or write Department L.S., New Departure Division, General Motors Corporation, Bristol, Connecticut.

  
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to judge the  
true speed of  
business  
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**It's door-to-door elapsed time that counts.** The Gulfstream speed, rate of climb, short field capability, and elimination of waiting periods for battery carts, stairways, and other ground-handling equipment drastically reduce door-to-door time. This is the only measure of true speed. And it's these features that enable the extraordinary new corporate turbo-prop — the Gulfstream — to leave many business planes behind.

The Gulfstream can take-off and land on 3,500 foot runways. This means your company can use more than 1,500 airports in the U.S. and Canada . . . to bring you closer to your departure and arrival points. This is part of true speed. The Gulfstream has a self-contained access

stairway. Engines start on their own power. You are completely independent of airport ground crew and ground handling equipment. This time saving is also part of true speed. Add to that the Gulfstream's exceptional rate of climb. And a cruising speed of 350 mph at 25,000 feet . . . and even higher altitudes, in pressurized comfort. In other words, the Gulfstream delivers optimum door-to-door performance.

How does the Gulfstream performance compare to piston type aircraft and to pure jets? Our distributors will be happy to give you complete information and detailed specifications, and also arrange a practical demonstration of the aircraft.





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# GRUMMAN

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# Foreign Cars Have to Sta

## Here's What It Takes to Sell Autos in the U.S.

The U.S. industry thinks four elements above all others are essential . . .

### 1. DEALERS

who concentrate on the lines of one company. This gives the factory a quick, informative link to customers and tight control over marketing.

### 2. PRODUCT

that is tailored to U.S. conditions and which, historically, was changed and improved frequently and offered in great variety.

### 3. USED

which ena the investr cle as part long before out.

## Here's how foreign producers are dealing with

**EUROPEAN MANUFACTURERS WITH U.S. TIES** — British and German Ford, Opel and Vauxhall of GM, and Simca, partly owned by Chrysler—take the U.S. view. So . . .

**CAPTIVE DEALERS** determine results. Ford's British and German cars suffered when dealers got a home-grown small car. Dodge dealers did well with Simca (French) until they got the Dart. Opel (German) and Vauxhall (British) were pushed by Buick and Pontiac dealers before they got their own small car. U.S. owners of these foreign plants are . . .

**AMERICANIZING PRODUCT** in an attempt to fashion the horn of plenty they have known in this country. New models of the British Ford and of Simca are now on the market and GM changes Opel and Vauxhall every year. They are trying to get products similar to what Americans are used to, but they are aware that there is . . .

**NO USED** their imp products market long four years long enough market. T

**INDEPENDENT EUROPEAN FIRMS** doing most business in U.S. — Volkswagen, Renault, British Motor Corp., Rootes, Fiat — still don't measure up to U.S. standards of sales volume, except for VW and Renault. Accordingly . . .

**MULTI-LINE DEALERS** are the rule, except for VW and sometimes Renault. In fact, many import dealers handle up to five-lines. That's because . . .

**PRODUCTS ARE FOR FOREIGN** tastes and motoring conditions. They are salable anywhere in the world. A U.S. dealer in many foreign lines need not worry about getting high volume in any one. So he isn't worrying about . . .

**NO USED** dealers in have hund on the ro to be trad the grow cars, comb dealer sys

**LOW-VOLUME IMPORTS** such as some from Germany, Sweden, France, England, and Japan, have a problem of survival. They are losing appeal for . . .

**MULTI-LINE DEALERS** who, because of the slump in import sales, can't carry floor stock for the occasional customer, and who are under pressure from the big manufacturers to hold up their "share of the market." In addition . . .

**PRODUCTS HAVE NO U.S. UTILITY** and were put on sale here in the past few years when any small foreign car could be sold. But that was before U.S. compacts with more room, more power, automatic transmissions and a lower price tag. Of course, there is . . .

**NO USED** products. on the ro the impor car dealer less he co small num has the o

# Start Fighting for Their Market

The days are gone when they could just ration cars. The Detroit compacts are cutting them down to size.

## 3. USED CAR MARKET

which enables the owner to use the investment in his present vehicle as part-payment for a new car long before the present car is worn out.

## 4. PARTS AND SERVICE

including car dealers, garages, service stations and specialty stores; there are hundreds of thousands of places where you can buy tires, batteries, brake linings, lights, spark plugs, etc. for U.S. cars.

## with the problem

**NO USED CAR MARKET** yet for their imports. Ford's European products have been in the U.S. market longest, but only for about four years in a big way—scarcely long enough to develop an after-market. There is a . . .

**GOOD PARTS & SERVICE** distribution network because the parts and service instructions for these cars go into the usual far-flung GM, Ford, and Chrysler systems, which means they are available at thousands of points.

**NO USED CAR MARKET.** But the dealers in the high-volume cars have hundreds of thousands of cars on the road. These cars are going to be traded some day. Meanwhile, the growing numbers of import cars, combined with the multi-line dealer system is spawning . . .

**COMPLAINTS ABOUT PARTS AND SERVICE** Most importers have wide-spread parts depots and are sticklers for training service people. But there just aren't enough service depots, and parts are not normally put into channels that distribute parts for U.S. cars.

**NO USED CAR MARKET** for these products. There are relatively few on the road and with the future of the import market so hazy, no used car dealer will take these cars unless he can "steal" them. And the small number of these cars around has the obvious corollary:

**PARTS & SERVICE NEVER DEVELOPED.** The manufacturers had plans to move as VW, Renault, Fiat, did, but the flood of compacts from Detroit cut the import market back before these companies could complete distribution systems.

©BUSINESS WEEK

Early this year, about 70 brands of foreign-made automobiles were on sale in the U.S. The manufacturers and importers of most of them say that, within a year or so, probably no more than a dozen foreign auto companies will be left in competition in the U.S.

The U.S. is the world's greatest market for vehicles. But it is a market developed originally by a hardbitten, aggressive, homegrown industry that now has forced foreign car importers to compete on Detroit's own terms (chart).

The climb in sales of imported automobiles has been stopped cold. There is no longer an "imported car market," although there is still a big market for types of cars not yet made by the U.S. industry. That distinction is important.

• **Sales Trail**—For the first five months of this year, new registrations of imported cars totaled 227,404, against 234,182 for the same period of 1959. For the first time since they became an important factor in total sales—five years ago—registrations of imported cars are falling behind the previous year's pace.

Some individual makes are exceptions: notably Volkswagen and Renault, in a size and price segment of the market not served by Detroit; Austin-Healy and Sunbeam (with its Alpine), which are sports cars unlike any made by Detroit; Mercedes, Jaguar, and a few other distinctive cars.

• **Things Have Changed**—Talking with the leading manufacturers abroad and their importers in this country, BUSINESS WEEK reporters have found an awareness than things have changed—"from allocating cars to selling them," says an importer. There is a new recognition that the auto market in the U.S. consists of many groups, demanding special types of cars. There is new thinking on what it takes to sell the U.S. market.

There is also a determination by the companies that do most of the business here to stay in the U.S. market, although they realize how much effort it will take. Just how complicated and varied that effort might be is apparent as the foreign manufacturers and the importers look over the present state of the U.S. auto market.

## 1. There Must Be a Difference

It is no mystery why total sales of imported cars are down. When General Motors, Ford, and Chrysler last fall

joined American Motors and Studebaker-Packard in the compact-car segment of the market, they began competing directly with foreign cars that last year accounted for 40% of the total registrations of imported automobiles. And Detroit's competition consists of cars a little roomier and a little more powerful than the comparable imports—cars available with automatic transmissions and, in many cases, cars selling at a lower price.

There is a second factor, too: The total U.S. auto market picked up a bit. A dealer who can sell a higher-profit domestic car is not going to pay too much attention to an import. That has hurt sales of Simca (retailed principally by Dodge dealers) and Vauxhall (handled by Pontiac dealers). And as the new U.S. compacts took the gloss off the imports, a sort of shock wave tarnished some unlikely makes.

- **Renault Off**—A year ago Renault, the big French company that has been second to Volkswagen in the U.S. market, talked seriously of giving VW a close race. Instead, it has lost ground. Both the Paris management and Maurice Bosquet, president of Renault's American company, think the car this year will hold its own and wind up around the 1959 sales level of 90,500 cars.

For a while, though, Renault was forced to discontinue shipments to the U.S.

"Like the American manufacturers," says an executive in Paris, "we were too optimistic about 1960. We shipped more cars in the first quarter than our dealers could sell, and the inventory got out of hand."

- **Ahead of Last Year**—On the other hand, Volkswagen is about 50% ahead of last year's sales for the first five months. Its gain, too, slowed down a bit in May, when registrations of all imports amounted to 45,600, compared with 54,400 a year ago.

Volkswagen is not the only make to progress in a market spreadeagled by Detroit cars. France's Peugeot, looking Detroit competition right in the eye with a 105-in-wheelbase car priced at around \$2,300, has a 30% sales increase for the five months—though sales still may be too small to have long-term significance. Peugeot's January-to-May sales total only around 6,000.

Similarly, Sweden's SAAB, a distinctively designed front-wheel-drive car, still only feeling its way into the U.S. market, registered 2,100 cars for the first five months of this year, against 1,700 last year.

- **Common Factor**—There is a common denominator in all the cars—foreign or domestic—that are doing well in the U.S. auto market: They are different enough from other vehicles to attract a special group of buyers. This is true of Cadillac and Pontiac as well as of

Volkswagen, Austin-Healey, Mercedes, Falcon, or SAAB.

Foreign auto manufacturers and their U.S. representatives note this situation and hope to make it work for them. Some of them have been in the market for 10 years or more, and have acquired enough scar tissue to resist panic. Says John T. Panks, vice-president and general manager of Rootes Motors, Inc.: "I think there is utter confusion in the public's mind . . . The market is going through a phase, and there are indications that we are coming out of that phase."

## II. Playing the Palace

"The U.S. is the most unpredictable—and best—export market for our cars," says a British auto executive. That is why foreign manufacturers who are serious about the auto business intend to stay in the U.S. market.

Take SAAB as an example. It has become a great industrial complex in Sweden, but the bulk of its work has been in military aircraft—a declining business. Even missiles and electronics, in which SAAB is increasing its effort, will not require the manpower and facilities that the company now uses. Only one industry will: the manufacture of automobiles.

SAAB began developing an automobile in 1946. Even in 1959, its total car production was only 17,000, of which it shipped 5,200 to the U.S. By 1964, it hopes to be building 60,000 cars a year and selling between 25% and 30% in the U.S. SAAB still has only 180 dealers in the U.S., mostly along the Eastern seaboard. But, says its U.S. representative, "we will be here 20 years from now."

The reason for such determination is summed up by another man: "You're not in the automobile business unless you sell in the United States."

- **Depend on U.S.**—For all the European car manufacturers, the U.S. is the biggest single market. They couldn't pull out and leave it to Detroit even if they wished.

The auto industries of both Britain and Germany are engaged in a gigantic expansion predicated upon keeping a substantial trade in the U.S. while building up fast-growing markets elsewhere. To show how sensitive British manufacturers, for instance, are to the U.S. market, the decline in sales of imports led to price-cutting by Vauxhall in England and a cutback in car production schedules in the British industry.

- **Need Dollars**—Some European car makers have different reasons for holding fast to a piece of the U.S. business. Fiat is an example. It is a very heavy purchaser of U.S. products, so it needs auto sales here to earn dollars. Its goals are modest. It would be happy with

sales as low as 30,000 cars a year, even though it sold 43,000 in 1959.

"We could have sold more," the Fiat annual report states, "but our aim certainly cannot be to compete against the gigantic American automobile industry (which would be ridiculous) but rather to procure dollars to pay for our imports from the U.S.A., besides, naturally, to obtain the advantage of being present in so important a market, thus making the high qualities and good performance of Fiat cars internationally known."

The "world's greatest market" theme is present with a twist in the Japanese compulsion to stick it out in the U.S. market. Two major Japanese firms, Toyota and Nissan, each hope to sell 5,000 cars in the U.S. this year. So few cars should hardly be noticed, but even these 10,000 additional sales would enable the Japanese to lower their unit price and reach a broader market at home.

## III. Problems of Popularity

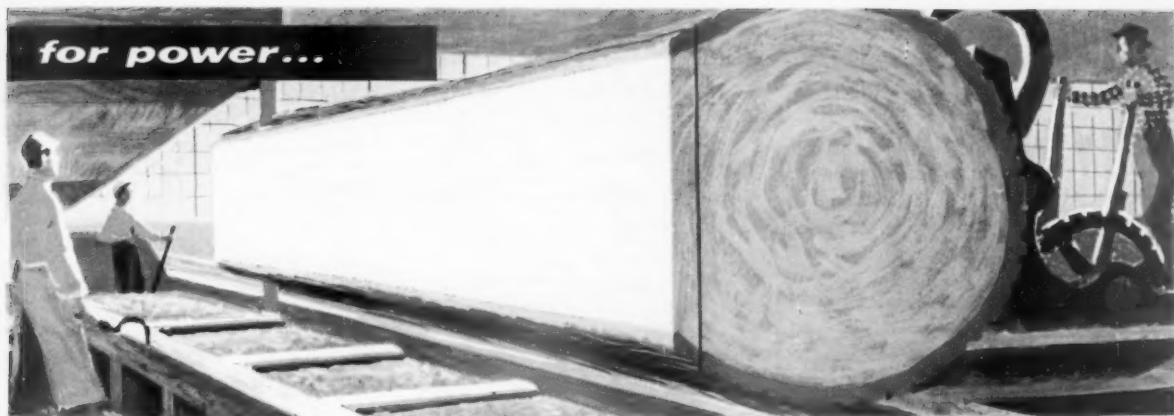
All the foreign auto companies and their U.S. representatives agree that the two most important factors in doing business in the U.S. are (1) product and (2) sales and services—with the emphasis on service. They are not content with their present situation in either area.

Among foreign auto makers, there is more thinking about product changes or improvements than you might believe—considering the success their present offerings have had. For instance, auto people in Germany believe they will have to modify their approach to the U.S. markets. Up to now they have put too much reliance on the "made in Germany stamp" and on snob appeal. Now they recognize that much more will have to be done to make their cars more attractive to Americans.

- **Adapting to Tastes**—The German manufacturers realize that automatic clutches are not enough for Americans in general and for women in particular who are used to automatic transmissions. Disk brakes, now fitted to only the German luxury cars, will have to be standard equipment on all cars for the U.S. market. One German auto man predicts a trend toward front engine and front drive or rear engine and rear drive (VW, Renault, and Fiat 600 are rear engine, rear drive). He also expects a return of air springing; greater use of plastics in place of body metal; more diesels and engines designed to run on weak gas-air mixtures; and sealed cooling and lubrication systems.

This is all in line with the general feeling that products from abroad must be different. Two British companies are pushing little sedans that are distinctly different: BMC's Austin/Morris 850, which has a cross-mounted engine driv-





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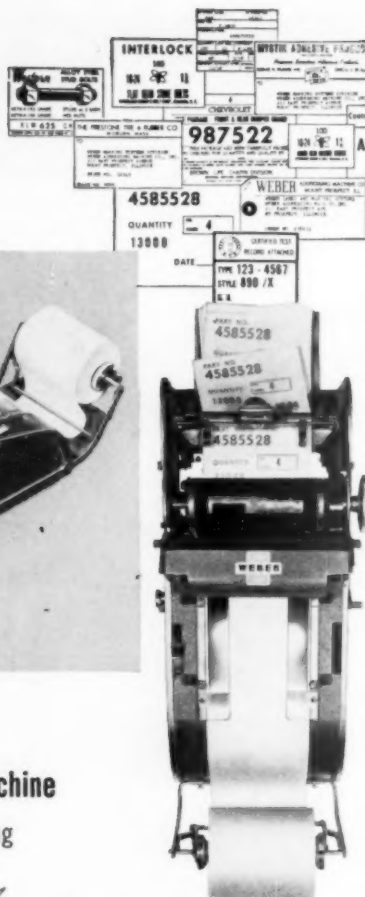
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ing the front wheels, and Standard-Triumph International's Herald, which "packages" a number of advanced engineering ideas. Volvo of Sweden is bringing out a sports car to dual with its sedan, which performs like a sports car but which doesn't look like one.

• **Dealer Corps**—As foreign auto makers sold nearly 1.4-million cars in this country in the past five years, they put together an astonishingly widespread sales and service network in a brief time. But there are gaping holes in the fabric. Too many dealers, apparently, went into the imported car business for the fast turnover. This was particularly true for the foreign cars associated with the big U.S. companies.

One example of maladroitness: Chrysler turned over Simca's distribution mainly to Dodge dealers. In the first five months of 1959, Simca registrations were 15,674. This year, with Dodge dealers piling up new records with the Dart, Simca registrations plummeted to 7,266. Now Chrysler is starting over again, trying to build a new dealer body for Simca in a way that will not be affected by a hot U. S. car.

• **Service Crisis**—Not all of the importers' dealer problems are so severe as Chrysler's, but all the companies are constantly recruiting new, solid dealers. Right now, they are also bearing down hard on service.

Among the importers of foreign cars, the service story has been something like those old Saturday afternoon movie serials, with a crisis at the end of each chapter.

As the sales of imported cars in this country build up, the crisis was in establishing a flow and supply of spare parts—made even more difficult by lack of experience on which parts were going to be needed most frequently. Then the spare parts problem eased off and was replaced by the shortage of service people trained in working on the unfamiliar vehicles. While there still are not enough trained people, at least provision for meeting that problem has been made.

• **Cycle Starts Again**—Now the cycle is starting all over again. There are so many foreign cars on the road, and they are so widely scattered, that once again complaints are being heard that spare parts are not easily available.

So the importers just sigh, hitch up their trousers, and go to work getting up new parts depots. The importers and their factories abroad know that, no matter how good their products or prices, lack of widespread and reliable service can kill them. With nearly every corner gas station able to keep a U.S.-made car running at least until the driver gets it home, it is going to be a truly determined foreign-car owner who will suffer spells of pedestrianism due to lack of parts or service. **END**



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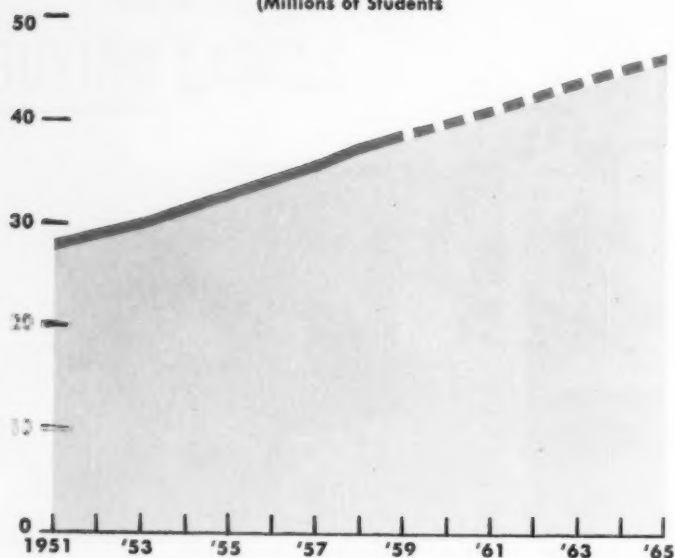
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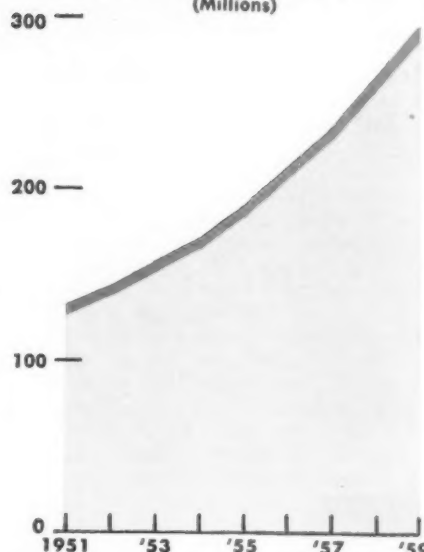
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## MARKETING

### Public School and College Enrollment (Millions of Students)



### Publishers' Textbook Sales\* (Millions)



Data: Am. Textbook Publishers Institute; U.S. Dept. of Health, Welfare, & Education.

\*Includes sales to private and parochial schools

©BUSINESS WEEK

# New Vigor in Book Publishing

Publishers are busy merging and expanding to broaden their lines in an effort to tap the potential of bigger school enrollments and a growing group of educated adults.

Love that baby, love that baby boom. So manufacturers—from Detroit to New York's garment district—have been crooning for years as they plotted the population rise and dreamed of its impact on sales, sooner or later.

None has counted this blessing more contentedly than the textbook publisher. He has known for years that textbook sales would follow school enrollment up (charts). Publishers in other fields have understood the implications—in juvenile books, in an ever-broadening group of educated adults. Maybe—who knows?—those two upward-pointing lines add up to more reading all around.

The figures were plain for anyone to see 10 years ago, comments a major publisher. In recent months, the business community has awakened to their potential. The result is a climate of confidence and growth that is shaping some major changes in that dauntless, fragmented, admittedly crazy world that makes up Publishers Row.

• **Consolidation and Expansion**—This confidence has sired a brood of moves recently: expansions, mergers, stock offerings by a community that has been predominantly privately owned. All these moves are accelerating a trend:

Publishing, like the hard goods manufacturer, is going full line.

The industry came out of 1959 with a record year under its belt. Sales of general (trade) books jumped 12.6%, to nearly \$408.6-million. Textbook and reference books climbed still faster, up 13.5% to \$597-million.

Buoyed by these figures, a spate of action has followed in recent months:

- Random House, Inc., which had its first public offering last year, acquired Alfred A. Knopf, Inc., netting a valuable name in trade books and a valuable paperback line (BW—Apr. 23 '60, p91).

- Henry Holt & Co., already a well-rounded house, merged with John C. Winston and with Rinehart & Co., to become Holt, Rinehart & Winston, Inc.

- The Los Angeles Times-Mirror acquired New American Library of World Literature, major mass-paperback concern.

- World Publishing Co., general publishers, purchased Meridian Books, flourishing "quality" paperback company.

- Crowell-Collier Publishing Co. announced plans to merge with Macmillan Co., dovetailing Macmillan's

textbook business with Collier's reference books and encyclopedias (BW—Jul. 9 '60, p58).

- Farrar, Straus & Cudahy bought Noonday Press, another quality paperback.

- Western Publishing Co., sharing with Pocket Books ownership of Golden Press, offered its first public stock issue.

- Later this summer, Harcourt, Brace & Co. hopes to go to the public with its first stock offering.

Beyond these, companies are expanding plant, erecting warehouses. Companies that aren't yet talking for publication admit they are dickering for new concerns to plug gaps in their lines.

It's true that not all publishers interpret these moves the same way. Publishing has always grown by merger, some point out. Some of today's mergers represent efforts by veteran private concerns to perpetuate their name and business. And new companies—the Athenaeum Publishers, of which Alfred A. Knopf, Jr., was a founder, for example—are still springing up. In a field so creative, there will always be small, lively companies.

- **Bigness No Bane**—By most standards, publishing is small business. And some in field view even relative "bigness" with distaste. Opposing the alarmists, Curtis G. Benjamin, chairman, McGraw-Hill Book Co., chided publishing as "the industry that disdains



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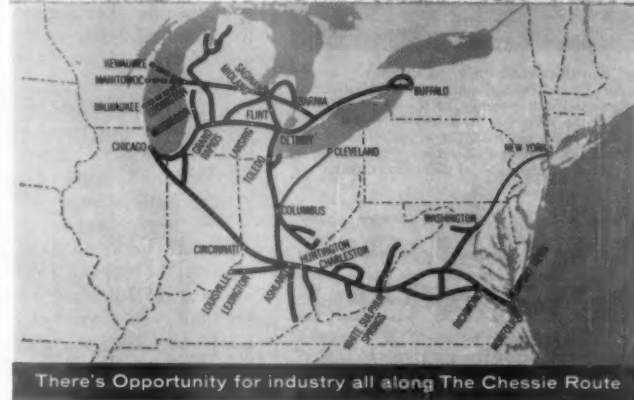
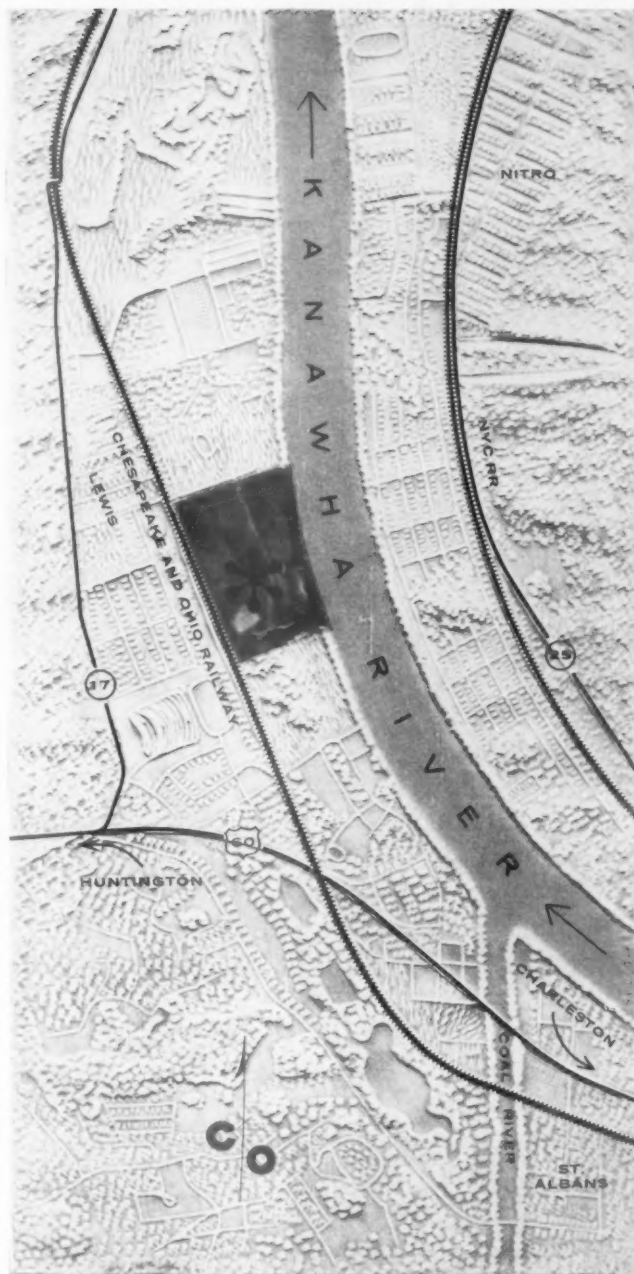
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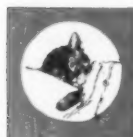


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success," an industry that views dilution of quality as a necessary corollary of growth. He added that, in point of fact, publishing productivity since 1929 had nowhere nearly kept up with either the market or gross national product.

Despite those who fear growth, leaders feel a strong current toward that rounded operation. At least one publisher believes that in the next 10 years or so some half dozen major concerns will emerge.

• **Early Advantages**—The advantages are obvious. Says Arthur A. Cohen, president of Meridian Press, the merger with World Publishing brought an immediate 12% reduction in certain house-keeping costs. It tripled his company's sales force, strengthened his resources in the competitive bidding for reprint titles. And it has left him freer to put his energies to the creative job.

It's a trend that may well spiral. For, as Alfred C. Edwards, president, Holt, Rinehart & Winston, puts it: "In a publicly owned company, expansion becomes a management responsibility."

There's nothing simple or easy about the road ahead. The population boom doesn't solve all the problems. But to a great extent, the flurry of recent months is building on the solidity of the vital statistics.

## I. Where Are We Now?

Not all segments of publishing are flourishing alike. The rosy sales figures cloud some weaknesses, highlight some strengths.

In textbooks, sales have climbed faster than student enrollment. The price of books is slowly rising, and copies per student are also inching up. Numerically, college enrollment is relatively small—some 3.4-million last year, against 36-million in public elementary and high schools (with nearly another 7-million in parochial and private schools). But college sales are disproportionately rewarding. They totaled some \$89-million in 1959, against the elementary and high school outlay of \$207-million.

• **Profitable Textbooks**—The industry hugs its profit data to itself, but it concedes that textbook profits average higher than adult trade books. The market is more easily pinpointed, it is predictable, and the textbook industry does not face the complex distribution machinery that eats into profits for the general publications.

The reference book segment, which sells mainly door to door, also rates high as a profit-maker. Industrywide sales jumped 15.2% last year—more than textbooks—to a total of \$270.6-million. E. J. McCabe, Jr., president, Grolier Society (Encyclopedia Americana, Book of Knowledge), aims at a 6% net after

taxes, and usually comes close to the mark, he says. The best market is young families with a couple of children. Since salesmen work on a commission basis, selling costs expand or contract directly with the market.

• **Unpredictable Trade Books**—It is when you get into trade books—books sold through bookstores to the general public—that you find the most ups and downs. There's no other business quite like the trade business, publishers agree. Here is where the publisher takes the big gambles; he puts in a major investment on pure speculation.

All trade book categories—fiction, general non-fiction, juveniles, and the like—increased their dollar sales last year, but the profit picture was bumpy. In adult trade books—where sales jumped 13%—profits took a discouraging downturn, to 3.8% of sales after taxes. Furthermore, for far too many publishers, income from club or reprint rights still spells the difference between profit and loss. At least one publisher comments: "It looks as though trade books are withering on the vine." Yet some have proved that trade books can be profitable.

Let's face it, several publishers say. The U.S. just isn't a literary market in the first place. Then too, the trade field is fighting a cumbersome and creaking distribution system. With rising production and distribution costs, pressure for higher prices rises, too. Some publishers insist that prices can and must go higher. Others fear that a not too voracious market will simply walk out entirely.

## II. Paperbacks

It's at this point that the adult or quality paperback comes in. These, retailing usually from around 95¢ to \$2.95, sell, like trade books, through bookstores. Still only a small segment of the total (dollar sales came to a little over \$7-million last year), these books chalked up the biggest increase, 28.5% in dollars, 21.5% in copies.

• **Dynamic Growth**—To companies such as young Grove Press, business appears "dynamic." It estimates this year's sales will top \$1-million, double sales of two years ago. The adult paperback is one other branch of publishing that takes joy in the student enrollment figures. College bookstores have proved a fertile field, as professors increasingly find use for the inexpensive editions for supplementary reading.

Even the mass paperback—distributed by wholesalers, sold through magazine outlets—has felt the impact of the growing school population, says Freeman Lewis, executive vice-president of Pocket Books. It is estimated that the paperback book clubs of Scholastic Magazines, Inc., will distribute some 10-million copies of lower-priced paper-

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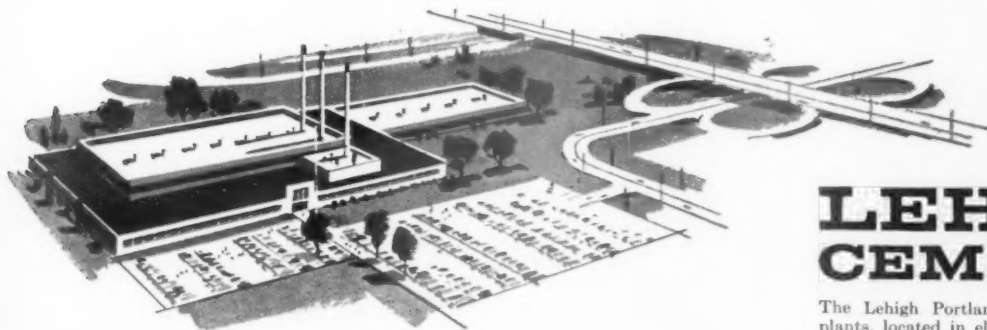
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backs this year to high school and junior high students. Mass publishers are upgrading the quality of their output to fit this thriving market.

Both the quality and mass paperbacks face a hotly competitive situation, though: competition for retail space; competition for reprint titles. The high cost of reprint rights has reached the point, says Meridian's Cohen, where paperback publishers are increasingly turning to original publication in paperback form.

• **Reluctant Participation**—Best testimony to the interest of the industry in paperbacks is the acquisitions and expansion of trade publishers in this field. Companies that started primarily as mass paperback publishers are expanding into the quality lines. Thus Fawcett World Library has recently added Premier Americana line, under Henry Steele Commager.

Not all trade publishers are happy with this growth. Paperback reprints may well cut into sales of originals. Neither author nor publisher gets enough profit from the reprint contracts, say some publishers. But, like it or not, most of the trade publishers are now joining, at the quality paperback level.

### III. Distribution

Textbook and reference book publishers have it relatively easy where distribution is concerned. For the trade publisher, distribution is something of a nightmare.

• **Narrow Pipeline**—The problem is an old one: too few outlets. There are some 2,000 bookstores in the country (fewer than in England), and maybe 300 to 500 of these do an adequate job. Yet, paradoxically, this overcrowded retail pipeline is hard put to show a profit. The question is: How can any store sensibly stock the products of some 400 publishers?

Doubleday & Co. has put solution of this problem high on its agenda. About a year and a half ago it set up a merchandising plan, applying mathematical probability principles to determine quantities and assortments of books each store should carry. The plan makes allowance for regional differences, takes into account past sales experience and current inventories. To back it up, Doubleday greatly increased its sales force to allow frequent servicing.

Harper & Bros. is another company that has adopted a similar plan. Essentially, stores leave to the publisher the decision on what and how much of a new book to stock. The store has the right to review, reject, and return.

To some publishers, greater flow through wholesalers looks like an appealing solution. But many a store looks at the higher discount it gets if it deals

direct. Even efforts to sweeten the discounts haven't met with too much success.

• **New Outlets**—The mass paperback, with its drugstore, newsstand distribution, opened up fresh outlets for the congested book pipeline. The book clubs did the same—by dint of using the 42,000 post offices as outlets. The clubs are still going strong, with a 7% increase in dollars and a 13.7% increase in number of copies sold last year. Recent growth, though, says Doubleday's A. Milton Runyon, has come mainly from the flourishing special-interest clubs (there are today over 80 clubs functioning). Axel G. Rosin, president of Book-of-the-Month Club, adds that much of that company's healthy sales and profit growth last year came from records, art seminars.

All over the trade field, the prowl for more outlets is on. Inexpensive juveniles and quality paperbacks are tackling the supermarkets and other mass retailers. Doubleday this summer set up a special 40-man sales force, to handle its Anchor and Dolphin lines. The bookstore that sells only paperbacks now number over 100.

• **Discount Selling**—Bookstores themselves don't always like these solutions. Neither do they like the recent move of the discount house into book selling—at discount prices. Publishers' Weekly, business publication, regularly comes up with pleas for fair trade.

### IV. Look Ahead

For all the pack of troubles it carries, the publishing fraternity feels it is on the road to progress. Sooner or later, the swelling student enrollment means more textbook and juvenile sales spells a mature reading market, too. Better servicing of outlets, the opening of new outlets all will help. The mergers, expansions, public issues are providing a stronger basis on which to build.

• **Broad Approach**—Perhaps most of all, recent developments suggest a free-ranging approach, a willingness to cross established boundaries. John Powers of Prentice-Hall sums it up as a need for flexibility. Companies like his, he points out, are not committed to the printed word; like many publishers, it has no investment in printing plant. "We are in a creative field," he says. "We can go to the tape recorder or to the broadcaster as easily as to the printer with the results of our creativity." Right now, his company is actively working on projects involving TV, tape recording, perhaps teaching machines. McGraw-Hill went into the text film business in 1947; into magnetic tape in 1950.

"But," Powers says, "the day will never come when books will be outmoded." To this, a reinvigorated industry echoes "Amen." **END**

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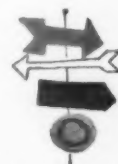
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States and possessions.*

# In Japan, Trade Man's at the Top

When Japan's former Prime Minister, Nobusuke Kishi, resigned last month, the ruling Liberal-Democratic party picked as his replacement Hayato Ikeda (picture).

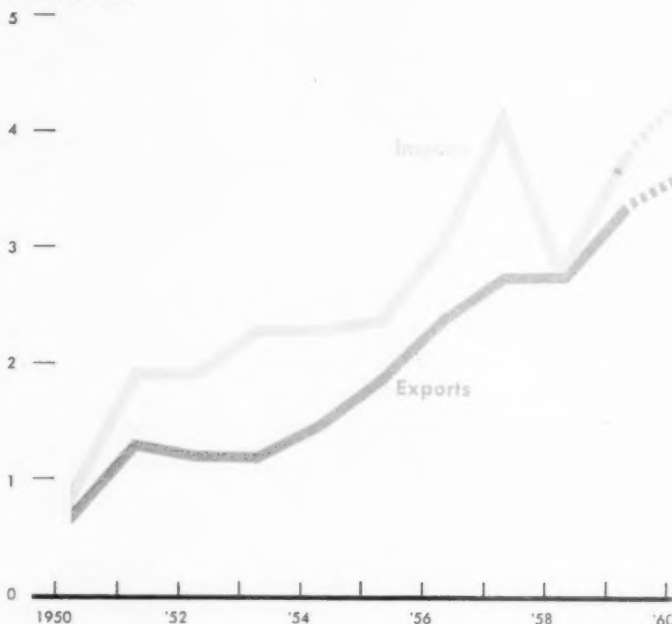
Ikeda's succession to the top post was no political accident. He stepped up from his position as Minister of International Trade & Industry, Japan's most powerful cabinet post. Known in and out of Japan as MITI (pronounced me-tee), it is the government agency charged with administering trade policies and practices.

MITI's chief is often more influential than either the Foreign or Finance Ministers and the MITI cabinet post is, obviously, a high rung in the ladder to the top. Ikeda's successor at MITI is Mitsujiro Ishii, formerly Deputy Prime Minister (picture). They are also 1-2 in the Liberal-Democratic party.

• **Trade to Live**—An axiom of modern economic life holds that Japan must trade to survive. In an area the size of California with meager natural resources live 90-million people. To maintain their standard of living and expand their economy, they must import. To pay for the imports, they must export (chart). Japan accounts for 3.5% of the world's trade.

Exports provide slightly more than

Billions of Dollars



Data: Japan Finance Ministry.



**HAYATO IKEDA** (with fan) graduated to Prime Minister from MITI, Japan's key trade post. He's with political aide.



**MITSUJIRO ISHII** steps into Ikeda's job at MITI, thus steps nearer top command of ruling Liberal-Democratic party.



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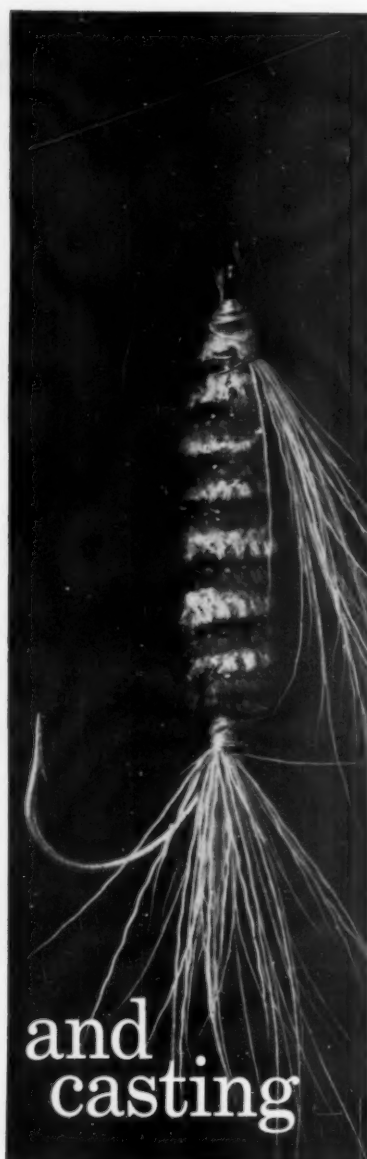
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10% of Japan's gross national product. In this respect, Japan lies halfway between Great Britain, whose empire was largely built on trade, and the U.S. Exports provide 16.5% of Britain's GNP, only 3.5% in the U.S.

Although the control of trade is MITI's prime function, its influence reaches far back into the Japanese economy because imports and exports affect so much of Japanese industry. Among MITI's duties are setting out investment policies, controlling the quantity and quality of production, imposing "voluntary" export quotas, negotiating trade agreements, administering tariffs, import quotas, and regulations on foreign exchange and investment.

The newest of MITI's responsibilities is trying to prevent harm to Japanese trade following the student riots that led to withdrawal of the invitation to Pres. Eisenhower to visit Japan. The Japanese have been particularly concerned about the reaction in the U.S., their largest market. Planeloads of apologetic letters and other literature have been flying into the U.S. from all sorts of Japanese business organizations.

MITI's penetrating influence on the Japanese economy is unparalleled in the West. West Germany's Economics Ministry, headed by Ludwig Erhard, probably comes closest. Britain's Board of Trade has similar functions but far less influence. There's no counterpart of MITI in Washington. Nearest is the Commerce Dept., of which the Bureau of Foreign Commerce is a relatively obscure section.

### I. First Ties to Government

MITI today is a direct descendant of the government bodies set up almost a century ago to build western-style industry in Japan. In 1868, a group of young Japanese samurai threw off the old dictatorship, which had isolated Japan for 200 years. They recognized that Japan, during that period of European colonial expansion, could remain independent only if it were militarily strong. They were quick to learn from the West that modern military power is based on economic and technological strength.

The principal slogan of the new leaders was "prosperous country, strong defense." To industrialize rapidly, they organized an Industrial Promotion Bureau in 1881. This is MITI's ancestor. Even before the "Meiji Restoration," as the new movement was called, merchants had begun to accumulate capital. But there wasn't nearly enough to push industrialization at the speed the Meiji leaders thought necessary.

After starting Japan's industrial enterprises, the new government turned them over to the private owners and managers:

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—more often than not the relatives and associates of the new leaders. Thus began Japan's system of close government links with business.

After World War II, among the U.S. occupation's early acts was the reestablishment of the Industry & Commerce Ministry. In 1949, the ministry was reorganized and labeled the Ministry of International Trade & Industry in order to put the accent on trade and foreign markets.

• **Interweaving**—MITI sits atop the complex, interwoven network that is the Japanese business community. There are producing companies, trading companies that market abroad (only a few large Japanese companies maintain foreign distribution systems), and industrial trade associations, which help MITI police a particular industry.

MITI itself is headed by a political appointee, who is aided by two vice-ministers, one politically appointed, the other a career official. Beneath them is a bureaucratic maze. One Japanese businessman wryly calls it "a department store of government."

The most important section is the International Trade Bureau, which acts as a watchdog over the fiercely competitive Japanese exporters. It curbs the exporters' appetites for foreign markets to prevent them from jeopardizing Japan's foreign relations. In this bureau, for instance, are formulated the quotas on textile exports to the U.S.

Much of MITI's power lies in its authority to grant or reject licenses. Japanese businessmen need licenses to invest, export, enter into financial or technical agreements for foreigners, and a myriad of other activities.

• **Textile Controls**—The Japanese textile industry is a good example of how MITI and its control system works. Japanese cloth producers have often been accused of copying the designs of foreigners. To counter this, MITI and the producers set up a trade association. It maintains what one U.S. businessman describes as the most thorough and elaborate file on textile prints and patterns in the world.

When a producer comes up with a new design for exportable cloth, he must submit it to his trade association, which checks the files to certify whether the new design is not a copy. MITI then grants an export license—after first checking the producer's export quota. If, however, the trade association believes the new design is too close to someone else's, it refuses to certify to MITI. And at MITI, no certificate, no license.

MITI controls other industries with equally elaborate regulations. But, as with much business in the U.S., much depends on informal personal contact. The right word at a geisha party can open doors at MITI. Likewise, a careful

## Japan's Trade

### Commodities Imported

Cotton, Wool, & other fibres	18.2%
Oil, & other fuels	15.5
Lumber, rubber, & other raw materials	14.0
Food	13.8
Ores & scrap	13.8
Machinery	9.8
Pharmaceutical & Chemical Supplies	6.1
Others	8.8

Data: Japan Finance Ministry, 1959.

### Commodities Exported

Textile Products	29.8%
Machinery & Ships	23.4
Metal & Metal Products	11.6
Food	7.6
Pharmaceuticals & Chemicals	4.8
Others (Cement, China-ware, Optical Equipment, Toys, Plywood)	22.8

hint from a MITI official at a luncheon will save a businessman all the expense and trouble of applying for a license not likely to be approved.

• **Well-Informed**—Many foreign businessmen who have dealt with MITI will attest to the ministry's solid information about the Japanese economy. The officials generally know their fields and are frank in discussing them with outsiders. Some foreign businessmen have been astounded to find that within hours of private discussions with Japanese companies that must get MITI's approval for a deal, the facts are printed in the newspapers.

Foreigners sometimes criticize MITI for two shortcomings. It, like government agencies the world over, is bogged down in red tape. The second shortcoming, surprisingly, is a lack of understanding of modern marketing methods. A U.S. businessman with connections in Japan notes that the Japanese "are marvelous, efficient producers. But they haven't yet learned to move the goods the way we do."

## II. Two Groups of Problems

MITI today is concerned with a number of questions, most of which can be lumped into two categories. One is the "liberalization" of import restrictions and foreign exchange controls. The other is the expansion of exports.

Since the end of World War II, Japan has restricted imports to essential materials in order to protect its rebuilding of domestic industry and to conserve its sparse supply of foreign exchange.

At the annual meeting of the members of the General Agreement on Tariffs & Trade, held in Tokyo last year, Western delegates argued that Japan's restrictions were no longer necessary, that Japan should open its domestic market to foreign competition.

• **Three-Year Program**—The Japanese

responded by agreeing to undertake a three-year program to free 80% of its imports. In June, it announced its plans. But they were far from detailed and many foreigners were dissatisfied.

The program sets out four successive groups to be freed: (1) raw materials; (2) imports that do not compete with domestic products; (3) items for which domestic producers are attempting to find new production methods; and (4) items "for which prompt liberalization is difficult."

There's no verdict yet on just how far Japan will go in freeing import and exchange restrictions. Within Japan, several groups argue for it on grounds that it's necessary for economic growth, for maintenance of ties with the Western industrial nations, and for prestige—Japan cannot be out of step with world trends, they say.

In opposition, however, are conservative, protection-minded industrialists who look back to the early days of Japan's modern history when economic nationalism kept Japan free of European colonialism. They have, strangely, close allies in the Socialists, who advocate a government controlled economy.

• **Hopes for Exports**—On the export side, Japan hopes to double its output in five years. To do this, it must open up newer and bigger markets, especially in Africa, Asia, and Latin America. The trade blocs in Western Europe will enhance already strong discriminatory measures against Japanese imports. Exports to the U.S. are leveling off.

High on the list of questions here is trade with Communist China—a question charged with all sorts of political and emotional feeling. Last month, feelers on both sides appeared to be out, after a two-year moratorium on trade talks. Some Japanese argue that the China market would not be profitable—but many would like to try it and see. **END**





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# In Business Abroad

• • •

## Diplomat Versed in Economics Named to Inter-American Post

Thomas C. Mann (picture), a diplomat with experience in international economics, has been named Asst. Secy. of State for Inter-American Affairs. His appointment follows Pres. Eisenhower's announcement of a new aid program for Latin America (BW-Jul.16'60,p111).

Mann, who has been an Asst. Secy. of State for Economic Affairs, has served as U.S. ambassador to El Salvador and several other Latin American countries. He succeeds Roy R. Rubottom, Jr., who was named ambassador to Argentina.



• • •

## World Bank Lends India \$70-Million To Improve Railways and Rolling Stock

India has received a \$70-million loan from the World Bank for expansion and improvement of its railways.

The loan, which raises the total of World Bank lending for India's railways to \$328-million, will be used for electrification, new track, locomotives, and rolling stock.

India will benefit from the World Bank's new 5 1/2% interest rate (BW-Jul.16'60,p117). Terms call for repayment over 20 years.

The World Bank also announced a loan of \$3,840,000 to El Salvador for expansion of power facilities.

• • •

## U.S. Oil Men Off to Take a Look At That Bubbling-Over Soviet Industry

At a time when Communist oil is penetrating Western markets, eight U.S. oil executives have flown to Russia for a first-hand look at the machinery behind the Soviet push. They will spend all of August in the Soviet Union.

The tour is part of a two-way exchange provided for in the State Dept.'s cultural agreement with Russia, signed last year in Moscow. A Soviet group will make a similar trip to the U.S. later this year.

Headed by W. W. Keeler, executive vice-president of Phillips Petroleum, the U.S. delegation will tour Russian oil fields, refineries, and research installations over a "wide area." Part of the itinerary calls for a visit to

offshore drilling rigs which are set up in the Caspian Sea.

The delegation includes George F. Getty II, president of Tidewater, George S. Dunham, a director of Socony Mobil, and Ira Cram, senior vice-president of Continental Oil.

Soviet oil exports to the West, now running more than 300,000 bbl. a day, have tripled in four years and represent about 12% of Soviet bloc production (BW-May 7'60,p106). Recent contracts have been signed with Cuba and India.

• • •

## Westinghouse Wins \$22-Million Contract To Help Equip Brazilian Steel Mill

Westinghouse has won a \$22-million contract to supply electrical equipment for a large steel mill in Brazil. The order was placed by Companhia Siderurgica Paulista (COSIPA), which said more than half the \$200-million earmarked for plant construction will be spent on imports.

The mill, at Piacaguera in Sao Paulo state, will begin producing sheet and plate in 1962. When completed in 1967, the mill will have an annual capacity of 2.5-million tons.

• • •

## Red Aid to Cuba Gets More Specific; Communist Bloc Promises 57 Factories

Communist bloc promises of economic aid to Cuba are becoming more specific.

In Havana, the Communist newspaper Hoy, considered a mouthpiece for the revolutionary regime, published a list of 57 factories that Russia, Poland, Czechoslovakia, and East Germany say they will furnish.

The plants range from two thermoelectric facilities costing \$11.5-million each to a \$40,000 pressure foundry. Some construction will begin this fall, but most will be started during 1961 and continue into 1962.

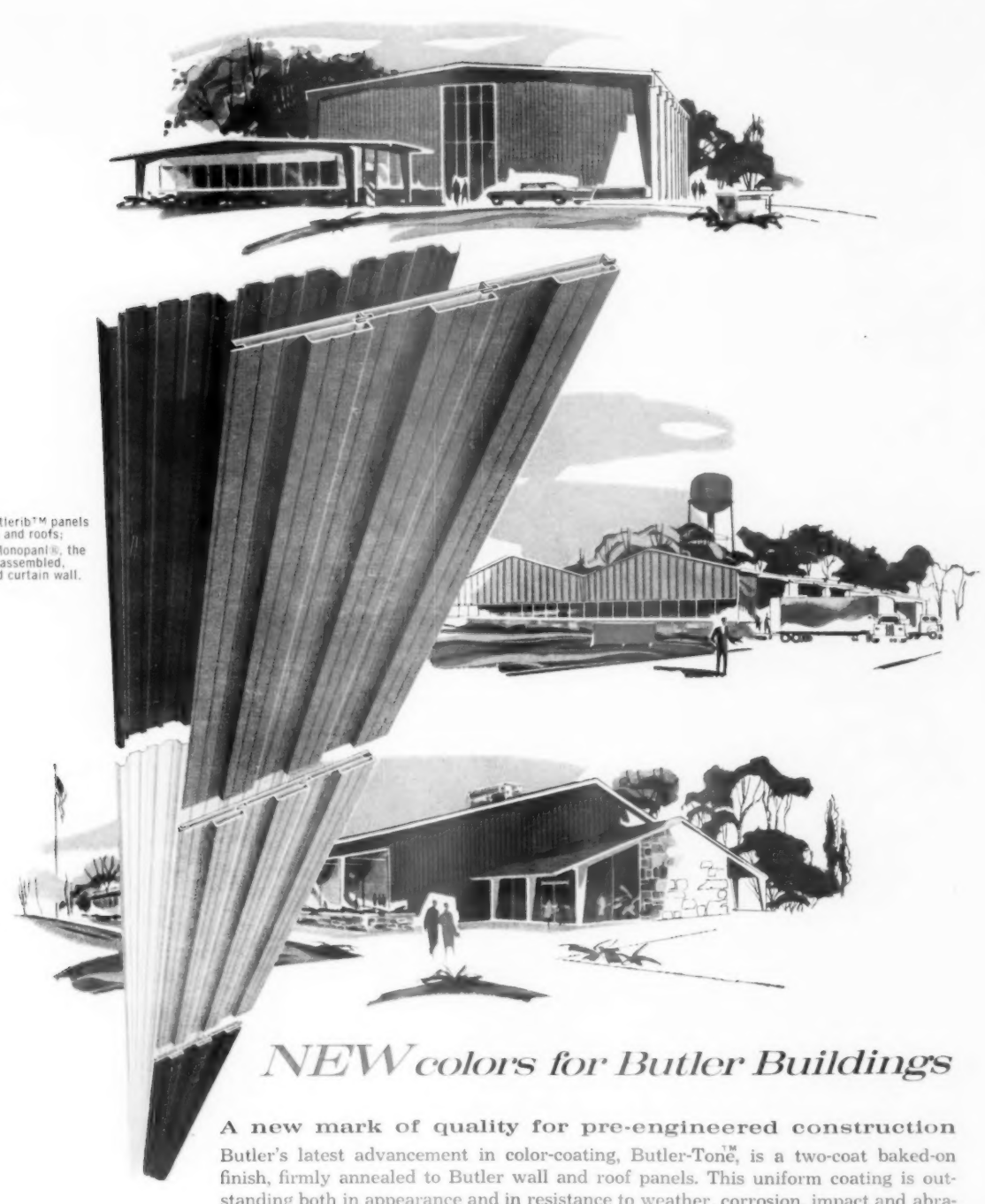
The equipment coming from Russia is generally bigger and more expensive than that coming from the satellites. Among the Soviet contributions will be typewriter and cotton textile plants.

The Poles have promised several \$1-million-to-\$2-million plants to make water pumps, refractory materials, sheet glass, and light bulbs. Czechoslovakia and East Germany are supposed to contribute factories producing sparkplugs, bicycles, chinaware, construction tools, and nuts and bolts.

• • •

## UAR to Get Million Tons of U.S. Grain

The U.S. has agreed to supply the United Arab Republic with about 1-million tons of wheat and flour in exchange for \$75-million, which will be paid in local currency over 30 years. Most of this income will be lent to UAR government and private companies for economic development projects.



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**Rain or**  
must be  
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**Well**  
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grease  
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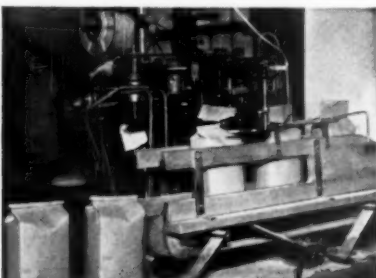
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# INTERNATIONAL OUTLOOK

BUSINESS WEEK

AUG. 6, 1960



Pres. de Gaulle of France is really throwing his weight around in Europe today. You can see that from inside reports of the private meeting he held last week with West German Chancellor Adenauer.

De Gaulle wants the six-nation European Community to speak with one voice in international affairs—through a new political secretariat that would be set up in Paris. In addition, the General thinks Paris and Bonn should take the initiative in dealing with Moscow because the U.S. is involved in its election campaign. In the case of Berlin, de Gaulle argues that neither London nor Washington is ready to be as tough as he is.

Part of de Gaulle's talk can be taken with a grain of salt. He knows that the U.S. will stand firm on big East-West issues such as Berlin, regardless of our elections. He also knows that American power is the one thing that really counts in a showdown.

Moreover, there are limits to the leverage de Gaulle can exert right now. He is facing new troubles in Algeria. They arise from the growing Communist influence among the Algerian Nationalists, and within neighboring Morocco and Tunisia. It's even possible that Moscow soon will come out openly on the side of the Algerian rebels.

Still, in pushing Adenauer to agree to a political secretariat for the "Six," de Gaulle is completely serious. He has some long-term ambitions in mind.

His aim is to make France the leader of Western Europe by building on the Paris-Bonn axis. He is even ready to pull West Germany away from its close military ties with the U.S. Then, as France builds up its own nuclear force, Paris would become the leader of a "Third Force," capable of acting independently of the U.S. Meanwhile, of course, France and the rest of Western Europe would be able to take shelter under the U.S. nuclear umbrella.

Adenauer is none too keen about de Gaulle's plans. Although the Chancellor has worked hard for Franco-German friendship and for the economic unity of the Six, he is not prepared to see Paris running the whole show. For example, he is deadset against putting the headquarters of any political secretariat in Paris.

Then, Adenauer doesn't want to widen the present split in Europe between the Six and the British-lead European free trade group. That's one reason he has invited Prime Minister Macmillan to come to Bonn next week.

More important, perhaps, is Adenauer's devotion to NATO and to West Germany's ties with the U.S. The aging Chancellor even foresees the gradual development of an Atlantic economic union—a hope that he shares with Macmillan.

—•—

The U.S. will have a healthy export surplus this year—but still run a very unhealthy deficit in its over-all balance of payments.

On the basis of the first half year, 1960 sales of merchandise abroad should exceed imports by about \$3.5-billion. That would be a gain of some \$2.5-billion over last year. If you include services, as well as goods, our 1960 surplus should still be at least \$2.8-billion.

But this surplus will by no means cover our payments abroad. On the deficit side of the ledger, you have to count in things such as net private

# INTERNATIONAL OUTLOOK (Continued)

**BUSINESS WEEK**

**AUG. 6, 1960**

investment abroad and U.S. government expenditures on economic aid. When you allow for such items, it looks as though the \$2.8-billion surplus on goods and services would turn into a deficit of \$2.5-billion.

Unfortunately, that isn't a whole story. The above figures do not include the substantial, unrecorded amounts of private capital that recently have been moving out of the U.S.—largely in response to higher interest rates in West Germany and Britain.

This capital outflow does show up, though, in the increase of foreign-held dollar assets and indirectly in gold losses. (During the third week of July, there was a \$70-million loss of gold.) At the rate capital has been flowing out recently, we could end up 1960 with an over-all balance of payments deficit considerably above \$2.5-billion.

—•—

U. N. Secy. Gen. Dag Hammarskjöld scored a major diplomatic victory in the Congo this week. He got the Belgians to agree to withdraw their troops from Katanga Province and let U.N. forces take over. Katanga, the richest province in the Congo, is trying to secede.

Since entry by U.N. troops compromises Katanga's claim to "independence" from the Congo government, Premier Moïse Tshombe of Katanga opposes the move, warning that he will fight it "with force, if necessary." Diplomats discounted his warning, since Tshombe has only a token fighting force.

The main problem for Hammarskjöld at the moment is to work out a compromise between Katanga and Premier Lumumba's central government. Katanga wants to keep its riches for itself; Lumumba wants them for the whole country.

Although it's too early to tell what shape a settlement will take, Hammarskjöld is said to be proposing some kind of "semi-autonomy" for Katanga. Under this arrangement, Katanga would contribute a share of its mineral profits to developments elsewhere in the Congo but less than Lumumba originally wanted.

—•—

Rumors of the political demise of Fidel Castro were rocketing out of Havana at midweek. If Castro is out, as seems likely, he will be succeeded by his brother, Raul, chief of the armed forces. But National Bank Pres. Guevara will remain the most influential man in Cuba.

This combination would lead to a hardening of opposition to the revolutionary regime in Cuba. Neither the younger Castro nor Guevara has anything approaching Fidel's popularity. They might resort to police-state tactics—with strong Communist-bloc support—to stay in power. The prospect apparently drove another long-time associate of Castro, Raul Chibas, to defect to Key West this week.

Cubans will be closely watching the Aug. 16 meeting of the Organization of American States in Costa Rica. More Cuban opposition to the Castro regime will arise if Latin American public opinion appears to be turning against Cuba. Argentines, especially, are displeased with Cuba. They dislike the ties with the Soviet bloc, the conniving with ex-dictator Peron to overthrow Pres. Frondizi, and the recent attacks on the Catholic Church.

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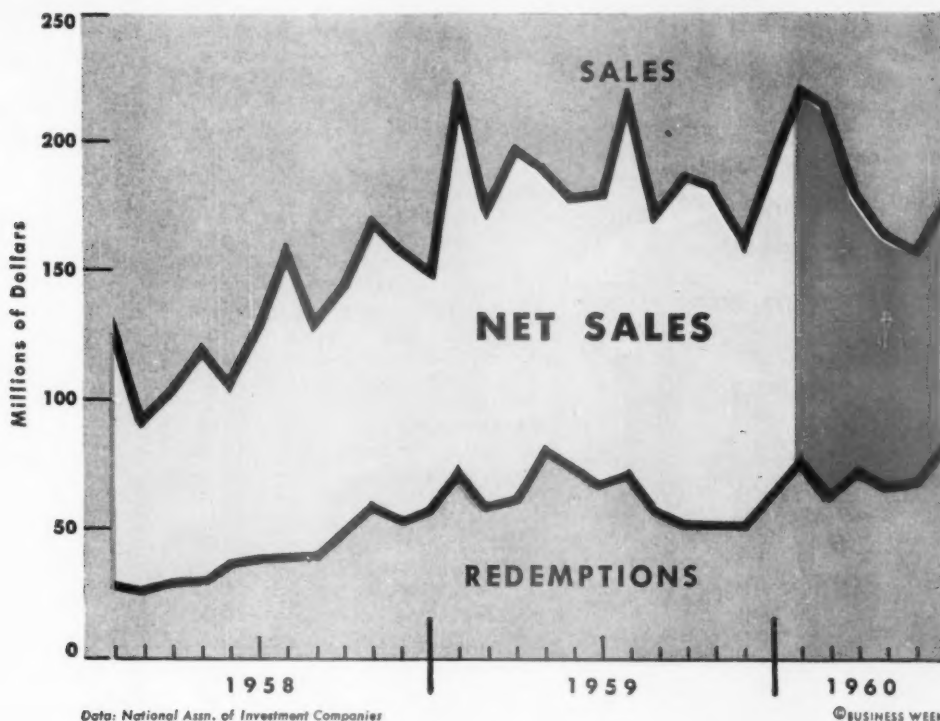
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## THE MARKETS

### Mutual Fund Sales Go Into a Slump



## Phenomenal Growth Slows Down

Along with the rest of the securities industry, mutual funds have been suffering a slump this year. Sales of mutual fund shares hit a peak for the year in January, then dropped sharply through May; share sales turned up again in June, but at the same time, redemptions hit a record monthly high (chart). So the net growth in share sales this year is the lowest since 1957.

The mutual fund trade is hit in two ways. The fund investment managers are affected, since they get a flat fee based on the value of assets they administer. So, too, are the mutual fund salesmen, who get a commission for the shares they sell.

- **No Crisis**—Things are not at all near the crisis stage for the mutual fund industry. But for the first time in years, it is threatened by increased redemptions at a time when sales are slowing down. The notion that the public turns to professional managers when the market is in a decline is facing a test—and this time there appears to be some disenchantment with the glamorous mutual funds.

Mutual fund men say that they aren't worried about the slide in their share sales. They point out that so far this year net sales of funds are off 10.9%

compared to a year ago, which is less than the 12.6% decline in volume on the New York Stock Exchange. When the market is declining, as it is now, they say they expect to sell less than when stock prices are rising rapidly. And they add that the flood of hot new stock issues coming to market lately has been competing effectively for the investor's dollar.

- **Squeeze on Profits**—Nevertheless, the drop in share sales is causing some concern among the mutual funds. And the present decline in sales contrasts with the rise that took place in early 1958, when the market was also in the doldrums. The fact is that in an attempt to counteract the slippage in share sales, mutual fund distributors have been pouring more money into their sales efforts, and have been getting less in return.

One consequence of this squeeze on mutual fund selling profits showed up last week when Lehman Bros., which has had indifferent success selling its One William Street Fund, abandoned its distributing subsidiary, William Street Sales, and transferred distribution of One William Street Fund directly into the Lehman Bros. partnership.

The reasons for the move are highly

technical, and are related to tax-loss problems that Lehman Bros. isn't willing to discuss publicly. But they all boil down to the fact that William Street Sales, after two years in operation, is still losing money, and doesn't show any signs of breaking even. Lehman Bros. apparently sees tax advantages in being able to offset the losses on selling One William Street shares directly against the partnership's net income.

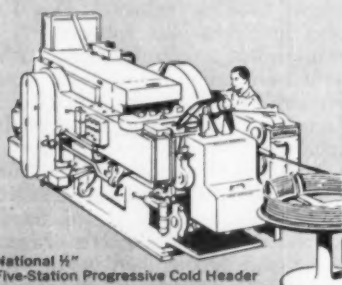
- **Deflated Shares**—The public is somewhat disillusioned about the profits in mutual fund management. This is evident from what has happened to the management company shares, which were marketed in quantity last year as insiders cashed in on managing the mutuals. Hugh W. Long & Co., Inc., sponsor of Fundamental Investors (assets \$577-million) and two other funds, which was initially priced at \$32 a share, now trades at \$14; Vance Sanders, which sells Massachusetts Investors Trust, the \$200-million Boston fund, plus three more funds, came out at \$26.50, and is now selling at \$11.75. Waddell & Reed of Kansas City, which runs the \$700-million plus United Funds group of mutuals, has done better, but it is still selling about \$1.50



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below last October's offering price of \$23.50.

Veteran underwriters believe several issues of management company shares were overpriced when they were brought out. But it is also clear that the current squeeze on profits has come as something of a surprise. In addition, rumblings from the Securities & Exchange Commission that mutual fund investment management fees may be "too high" are making investors nervous.

• **Management Fees**—Traditionally, the mutual funds have charged a flat 1/2 of 1% of the net assets of a fund for investment management. When a fund is small, with assets of less than, say, \$20-million, this is barely enough to keep a management company going. In fact, some small funds call in outside experts and pay for their services with brokerage commissions.

But when a fund gets larger, expenses don't rise at the same rate as income. It doesn't cost very much more to run a securities portfolio worth \$750-million than one worth \$500-million; but, at the rate of 1/2 of 1% of the net assets, the management fee is \$1.25-million greater. Many larger funds, including MIT, the largest common stock fund, and Wellington Fund, the No. 2 balanced fund, have adopted sliding scales in setting their management fees. However, Investors Mutual, Inc., managed by Investors Diversified Services, the largest balanced fund, has stuck to a flat fee—1/2 of 1% of net assets. On its assets of about \$1.5-billion, this comes to a gross income of over \$1.8-million a year.

• **Threat of Regulation**—The Investment Company Act of 1940 does not permit any governmental regulation of the management fees. As yet, the SEC hasn't made any move to change the law. However, SEC Chmn. Edward N. Gadsby reportedly leans in the direction of some rate regulation for the mutual fund management companies.

All these negative factors indicate that in the future the funds may not grow at quite the rate they have in the recent past. Until this year, growth has run over 20% a year.

Few fund men seriously believed that such a growth rate could be sustained indefinitely. "If it did, we would have the whole investment market in a remarkably short time," says Edward B. Burr of One William Street.

• **Room for Expansion**—But even so, they are not planning to take a sales decline lying down.

They are turning to (1) contractual plans, which let investors put small amounts of money—as little as \$10 a month in some cases—into funds on a regular basis; and (2) they expect that substantial new markets for fund shares will develop if the Keogh bill, now pending in Congress, is passed. This measure would allow self-employed

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Dr. D. W. Chaney, Executive Director of Research for Chemstrand, shows Governor Luther H. Hodges (left) his Company's new research facility.

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individuals to set up tax-deductible retirement plans on much the same tax basis as large corporation pension plans. Such legislation, however, is given only a 50-50 chance of passage at the August session of Congress.

• **Best Bet**—Of the two, the contractual plan seems to offer the greater possibility for mutual fund growth. The contractals have been selling faster than any other segment of the fund industry. In 1950, fund shares purchased under contractual plans came to \$10.9-million, about 2.1% of total industry sales. Last year, contractual sales were up to \$251-million, and accounted for some 11% of total share sales.

Along with the growth in the size of contractual sales, there has also been what some fund men call an "upgrading" in the quality of the contractual business. Even though contractals date back almost to the 1930s, until recently, they have been regarded as being on the fringe of the fund industry. Many large funds, in fact, refused to allow their shares to be sold through contractual plans. This resistance appears to be breaking down. A key shift came last fall when National Securities & Research—which runs funds totaling over \$470-million—started a contractual plan that is available to more than 2,000 independent security dealers (BW—Oct. 10'60, p152). This was the first time that a contractual had been offered to dealers, and it represents an important shift since initial sales commissions on contractals far exceed those on regular fund sales. (Over the entire life of the contract, however, there's no difference in average commissions.) Other funds have since followed National Securities & Research.

• **"Controlled" Sales Force**—While the opening of the contractals to independent dealers certainly will mean a boost for contractual sales, it's not by this route contractals have grown to date. Their selling method has been to use a "controlled" sales force, employed by the plan company itself, rather than independent dealers. Walter Benedick, whose Investors Planning Corp. is one of the few mutual fund companies, contractual or otherwise, that is doing better this year than last, thinks this is the only way a proper selling job can be done.

"There are too many opportunities for misrepresentation in the selling—intentional or not—if the salesmen aren't under your control," he says.

Benedick adds that one reason the contractual plan has been expanding so fast is that it offers salesmen a "front-end" load—in which almost half the total commission is collected in the first year. Benedick thinks that because the initial earnings are so high, the salesmen have adequate incentive to go out and open up new markets. **END**



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## Wall St. Talks . . .

. . . about loan demand, Merrill Lynch publication in French, Hupp-Murray proxy fight, Burry Biscuit stock.

Bankers are admitting that loan demand is falling more than seasonally and that they have ample funds available for credit-worthy customers. But they're sticking to their interest rate structure, say that further easing by the Fed is needed to bring a cut in the prime rate, now at 5%.

To attract foreign customers, Merrill Lynch, Pierce, Fenner & Smith, Inc., is now publishing in French its Quarterly Securities & Industry Survey, which provides a regular rundown on the market. It plans distribution to European institutional investors, especially in France and Switzerland.

The threat of a proxy fight between Hupp Corp. and Murray Corp. of America subsided last week when Hupp backed down on a plan to call for tenders of Murray shares (then trading at \$27 a share) at \$32 a share. Apparently, Murray directors got wind of Hupp's plans, and announced their intention to go into the open market and buy their own shares "for use in the acquisition of other businesses."

The latest investment fad is publishing shares. This week, Western Publishing Co., which prints children's books, went public at \$42 per share, promptly jumped to a 7 point premium. (One investor, who had asked for 1,000 shares of the stock, received only 20). Another publishing stock coming to market is Harcourt, Brace & Co., with close to 500,000 shares. Says one broker, "I can't get close to Harcourt, even for my institutional clients."

Burry Biscuit Corp., a relatively small baking firm, bucked the general market tide and moved up on increased volume to a new high of 12 this week (1960 low: 7½), chiefly because of the booming sales of its Euphrates wafers, a premium-priced line that it has promoted since buying Euphrates Bakery last year.

There's talk of negotiations going on between some big U. S. uranium producers and an ore refiner. Object is a combine that would cut costs. Some American uranium firms are reported to be pressuring to cut its Canadian commitments in order to insure their own position, but it is doubtful that the AEC will give in.





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# In the Markets

• • •

## Stock Prices Decline After Short Rise

### Produced by Cut in Margin Requirement

The Federal Reserve's drop in margin requirements from 90% to 70% helped bring a lift to stock prices that was not sustained this week. This is not unusual; in the past a drop in margin requirements normally produced a spurt followed by a setback. Brokers report that the drop in market values this year has been so severe that many of their margin customers have not been able to take advantage of the drop in margin requirements because their accounts are at or below the new level. And there is very little new cash or credit presently going into the market; apparently investors are uncertain about the economic outlook and the potential profits available in equities.

Some analysts and technicians feel that the Dow-Jones industrial average, which has touched the 600 mark three times in the last six months, may go lower if there is no quick pickup in some of the leading business indicators—such as the steel operating rate and industrial production. But stocks in many of the basic industries are already very depressed, and the prospect of a really severe decline in stock prices seems remote.

In some respects, the current market resembles the post-Sputnik market of late 1957 and early 1958. At that time, investors were interested mainly in defensive issues—the utilities, foods, tobaccos—and in defense stocks, particularly those in the space field. Today, defensive issues are again in vogue; so are stocks in the missile and space field, which are benefiting from a stepup in defense contracts.

It is doubtful that the market will take off as it did in mid-1958, for at that time the economy was poised for a new boom. Now, though, it appears that investor pessimism is exaggerated and it is possible that the wave of doldrums and sinking spells will be followed by a stronger market, provided that economic activity stages an advance.

• • •

## Chesapeake Bridge Offering Succeeds

### After Somewhat Wobbly Beginnings

One of the biggest and most speculative tax-exempt revenue bond issues in recent years hit Wall Street this week. The bonds, totaling \$200-million, were sold by the Chesapeake Bay Bridge & Tunnel District to finance construction of a 17½-mile span across Chesapeake Bay between Norfolk, Va. and the southern tip of the Delaware-Maryland-Virginia peninsula.

The issue was generally rated a success, somewhat to the surprise of those critics of revenue bond financing who have been saying that recent losses on several major tumpike issues have soured the public.

Nevertheless, the Chesapeake deal had its troubles getting to market. Under active negotiation for more than a year, it was postponed at least once because of unfavorable market conditions. The difficulties faced by the underwriters—headed by First Boston Corp.—is reflected in the high coupon put on the offering, and the wide underwriting spread. The underwriters bought the bonds at 96.65% of par, which gave them a gross profit on the deal of \$6.7-million.

The bonds were divided into three series, with \$70-million Series A bonds carrying a 4½% coupon; \$30-million of Series B at 5½%, and \$100-million Series C at 5½%. Institutional investors took all of the Series A and B bonds, which have first claim on the project's revenues, with Series C going largely to individuals. Big name institutional investors—whose participation was considered essential—had to be given first crack at the revenues before they would bid, one underwriter said.

## Churning in Government Bond Market

The U.S. government bond market churned violently this week in the aftermath of the Treasury's \$8,750-million refinancing operation, which for all practical purposes was completed on Tuesday. Bidding for the Treasury's new issues—a 3½% 1-year certificate, and a 3½% 8-year bond—was strong, and dealers say that offering was over-subscribed by a wide margin.

One dealer estimates that investors may get as little as 10% of what they bid for in the 1-year certificates; and that in the bond issue allotments may be as low as 15% to 30%, depending on the class of investor involved. At midweek, both issues were trading at a premium in spite of the fact that other U.S. issues were off slightly in price, reflecting general nervousness in the bond market after the very sharp runup in the last few weeks.

Dealers expect that the trend in bonds will continue upward because of the uncertain economic outlook. At the moment, though, bond traders are playing it cautious, waiting to see if the Federal Reserve makes any additional moves toward easier credit before they come in to buy. The Fed's next action could come as soon as the aftereffects of the current financing wear off. It could take the form of:

- A further reduction in the discount rate (now 3½%).
- A reduction in bank reserve requirements in New York and Chicago.

Either move would probably force the commercial banks to reduce their prime lending rate (now 5%), which would give an additional lift to bond prices.

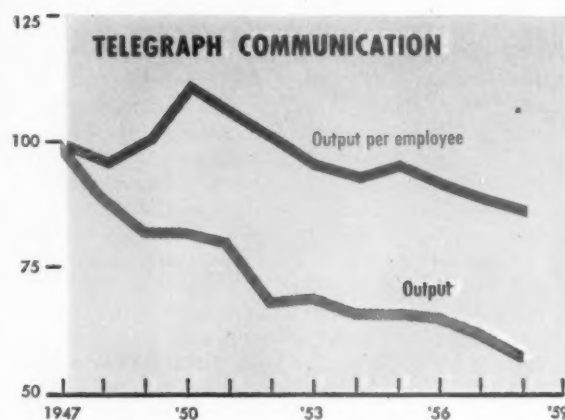
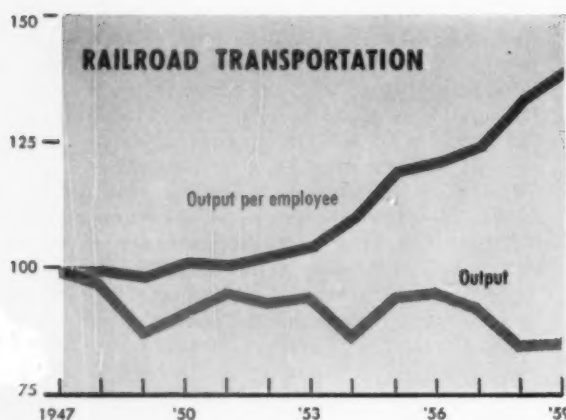
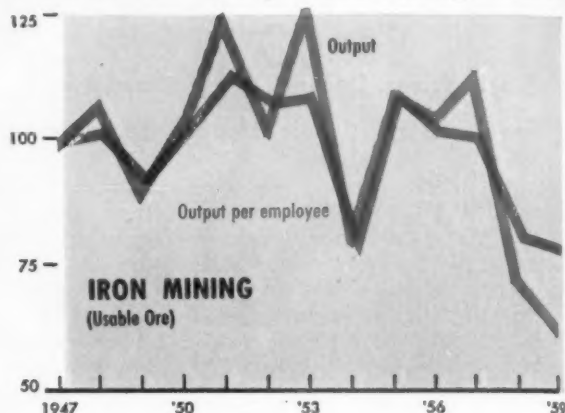
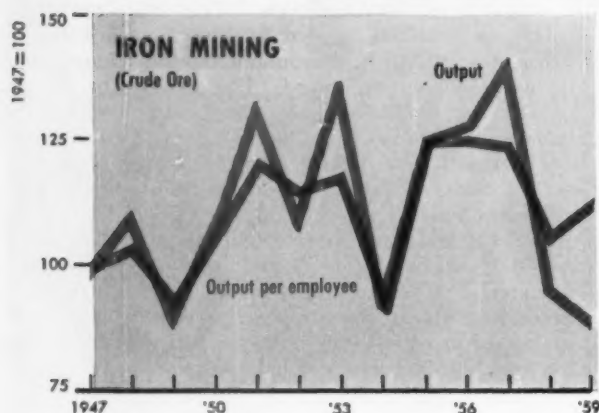
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## African Investment Company Shares Drop

Racial troubles in South Africa, which have severely depressed South African share prices, were blamed this week for the 24% drop in the asset value of American-South African Investment Co. As of June 30, assets of the closed-end trust amounted to \$29.25 a share, compared to \$38.56 on Dec. 31, and its initial offering price of \$28. Since Jun. 30, however, it has continued to slide—it is currently trading about \$20.

## GOVERNMENT

# How Productivity Trends Vary Among U.S.



## More Non-Production Workers

The long, slow job of putting together meaningful figures on productivity—one of the toughest jobs statisticians face—came to something of a milestone this week. The Bureau of Labor Statistics, which is doing the basic work of compiling industry-by-industry figures, published figures for 22 industries that show not only output per man-hour but total output for the industry, employment, and output per employee and per production worker.

The figures are still limited—it'll be a long time before they can be expanded to show how fast productivity has or hasn't been increasing in American industry generally. But one interesting trend stands out: Industry after industry shows a general trend for output per production worker to increase more

rapidly than output for all employees.

The figures on steel (charts) show this clearly. But it is true for 18 of the 19 industries on which BLS has data showing both output per production worker and output per employee. Only the beet sugar industry proved immune to the trend for total employment to increase more rapidly than did the number of production workers.

This tendency has been working for years. In steel, the proportion of salaried workers in the work force has doubled in the last 20 years.

The reasons seem basic: the growth of research staffs and the need for people to handle the increasingly complex systems for production control, communications, and sales.

• **Limits**—BLS studies can't be added

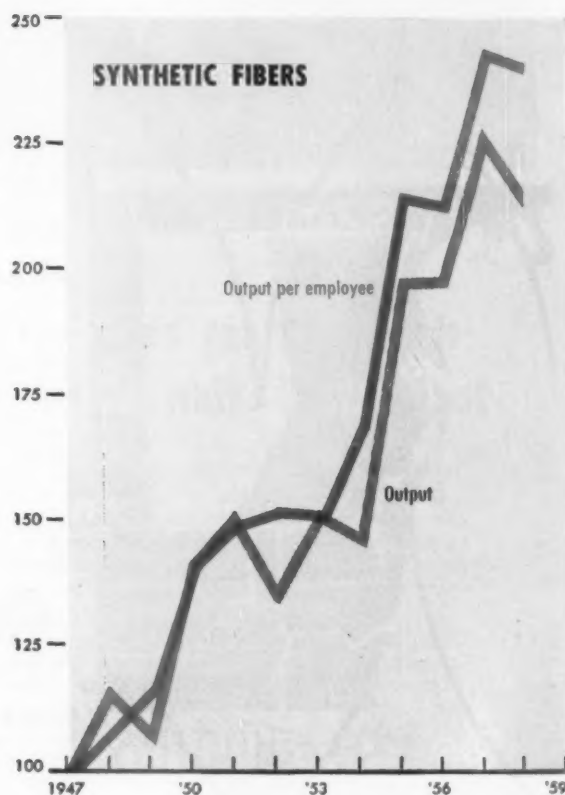
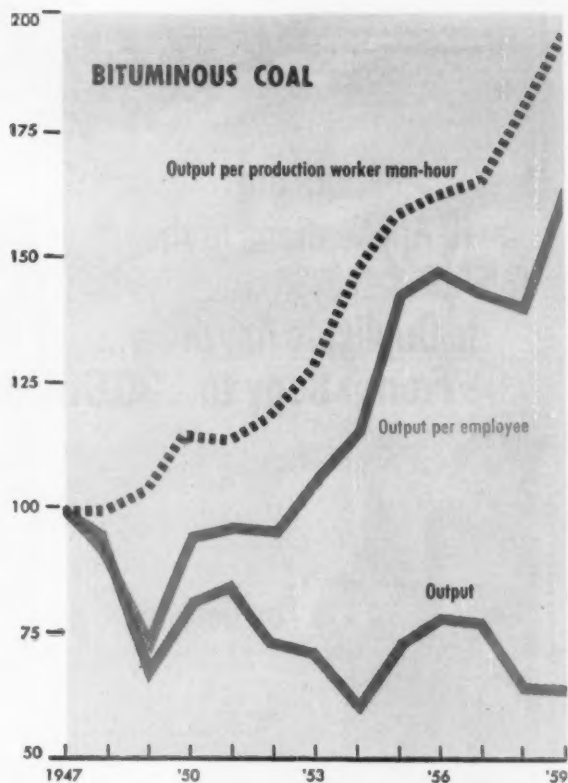
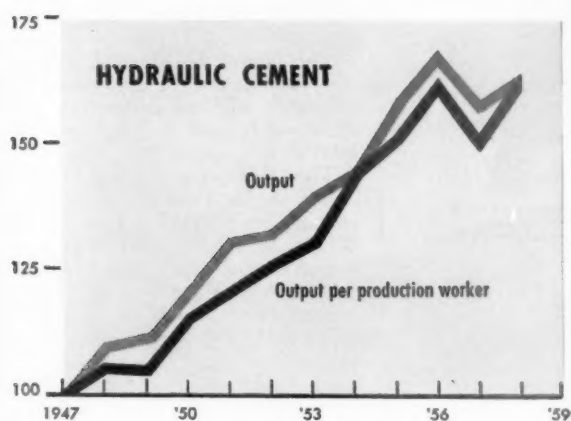
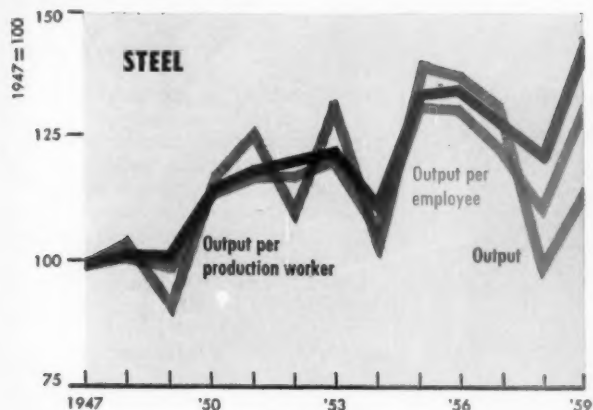
up to get a picture of what's happening to productivity generally, because the sample is small, is heavily weighted with old-line industries, with relatively few of the newer, more dynamic growth industries, and is centered largely on the mining and metals industries. Thirteen of the industries fall in this group.

The picture, industry by industry, shows some remarkable divergencies. In synthetic fibers, the star of the group, output per employee much more than doubled between 1947 and 1958. Over the same period productivity in the laggard—the iron ore industry, as measured by usable ore—fell 20%.

But even when you look at the figures industry by industry, they have to be used with care. For example, the figures show that output per employee in tele-



## Industries...



## on Payroll

graph communications has fallen 13%. This, however, probably doesn't reflect the basic change in the industry. The statistics are something of a mirage, for the production data are based on telegrams while the business the industry does is shifting more and more to leased wires and to facsimile. These counted for 20% of the sales of the leading company in the industry in 1959—but they aren't counted in its output. The people who handle this business, however, are counted in the employment figures, so where the figures show a fall in productivity, it's possible that there is an actual rise.

• **Industry Trends**—The figures on specific industries do show some interesting trends:

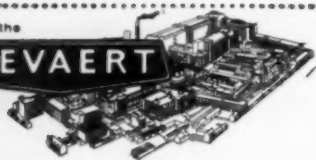
**Mining.** The survey's coverage of

Data: Bureau of Labor Statistics.

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productivity by a good mar-  
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(STORY on page 124)

mining activity is relatively complete. As the chart shows, output per employee in the production of crude iron ore has risen, while productivity in turning out usable ore has fallen.

These divergent movements result from a drop in the quality of domestic iron ore—an increasing proportion of the iron taken from the ground must be beneficiated and "pelletized" before it is ready for the blast furnace. This has increased labor requirements per unit of smeltable product.

The bituminous coal industry has managed the remarkable feat of raising productivity by a good margin in the face of a sharp drop in output. Industry men say that they were able to do this because enlightened union policies have permitted the introduction of highly efficient coal-cutting equipment and because marginal mines have been shut down.

The anthracite coal industry has shared its big brother's success in increasing productivity in the face of a fall in output; lead and zinc mining was able to whip the problem of low-grade ore by shutting down marginal mines so that, in contrast to what happened in iron mining, productivity in the production of usable ore increased more rapidly than in crude ore production.

**Basic Steel.** The most important industry included in the report is steel. BLS found that steel output per production worker in 1959 was 144.3 (1947 equals 100 in all index figures), a gain of 18.6% from 1958. Government economists believe this sharp gain reflects steel's recovery from the 1958 recession. The trimming of fat during recession months probably resulted in highly efficient operations as the industry pulled out of the slump, repeating the pattern of 1950 and 1955.

Last year's steel strike, of course, also affected productivity figures. Some inefficiencies resulted from starting and stopping furnaces during the strike, but BLS economists suggest that the loss of output and the loss of employment probably canceled each other out as far as productivity figures are concerned.

**Rail Transportation.** Rails also showed healthy productivity gains. Based on total revenue traffic, the index puts 1959 output per production worker man-hour at 164.9—a better gain than the group average since 1947.

**Hydraulic Cement.** The cement in-



This engineering and drafting area of Perkin-Elmer Corp. is kept comfortable during hot weather by the Westinghouse packaged unit. Installation by J.P. Salmini Co., Inc.

*Perkin-Elmer found—*

## **Air conditioning paid for itself in three years through greater employee efficiency in their Norwalk, Conn. plant**

"We would never plan another building that didn't include air conditioning," states Mr. George Huff, Director of Plant Engineering at Perkin-Elmer Corp., Norwalk, Conn. "Since we started to install air conditioning for purely comfort reasons in 1956, it has brought us a wide variety of benefits.

"Air-conditioned work areas help us to attract and keep the high-caliber personnel we need to produce precision optics, optical systems and various types of analytical instrumentation. In our high-salaried engineering and design areas, for example, air conditioning lowered costly 'idle time' considerably. In our machine shop it reduced a rust problem from perspiration. We also experienced fewer complaints and less employee irritation during hot weather. Air conditioning actually becomes an extremely important 'fringe benefit' to employees.

And the increased efficiency alone paid off our investment in about three years."

Perkin-Elmer is typical of the many companies who have discovered that air conditioning can not only be economical, but profitable as well. Most air-conditioning systems are charged with Du Pont Freon® refrigerants—known for their safe, trouble-free performance.

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and compounds • **KURE-BLEND** TMD masterbatch • **KO-BLEND** insoluble sulfur masterbatch

... labor's interpretation  
comes through loud and  
clear from AFL-CIO ...

(STORY on page 124)

dustry, showing better than average gains in productivity, benefited during the postwar years from the growth of ready-mix concrete production and from the construction of more plants at efficient quarry-side locations.

**Synthetic Fibers.** The only genuine growth industry included in the survey, the synthetic fibers industry, was in an ideal position to benefit from new production techniques that have come along rapidly, while strong demand allowed full utilization of capacity.

• **Reaction**—The pitfalls in accepting the statistics as a basis for wage negotiations are pointed out by an official of the Assn. of American Railroads. J. Elmer Monroe, vice-president of AAR, points out that wage costs are not included in the BLS index. He claims that, although railroads had an average of more than 500,000 fewer employees in 1959 than in 1947, wage costs last year were nonetheless about \$630-million greater than in the earlier year. Even though productivity has increased, he asserts, "we keep getting less and less out of a dollar of wages."

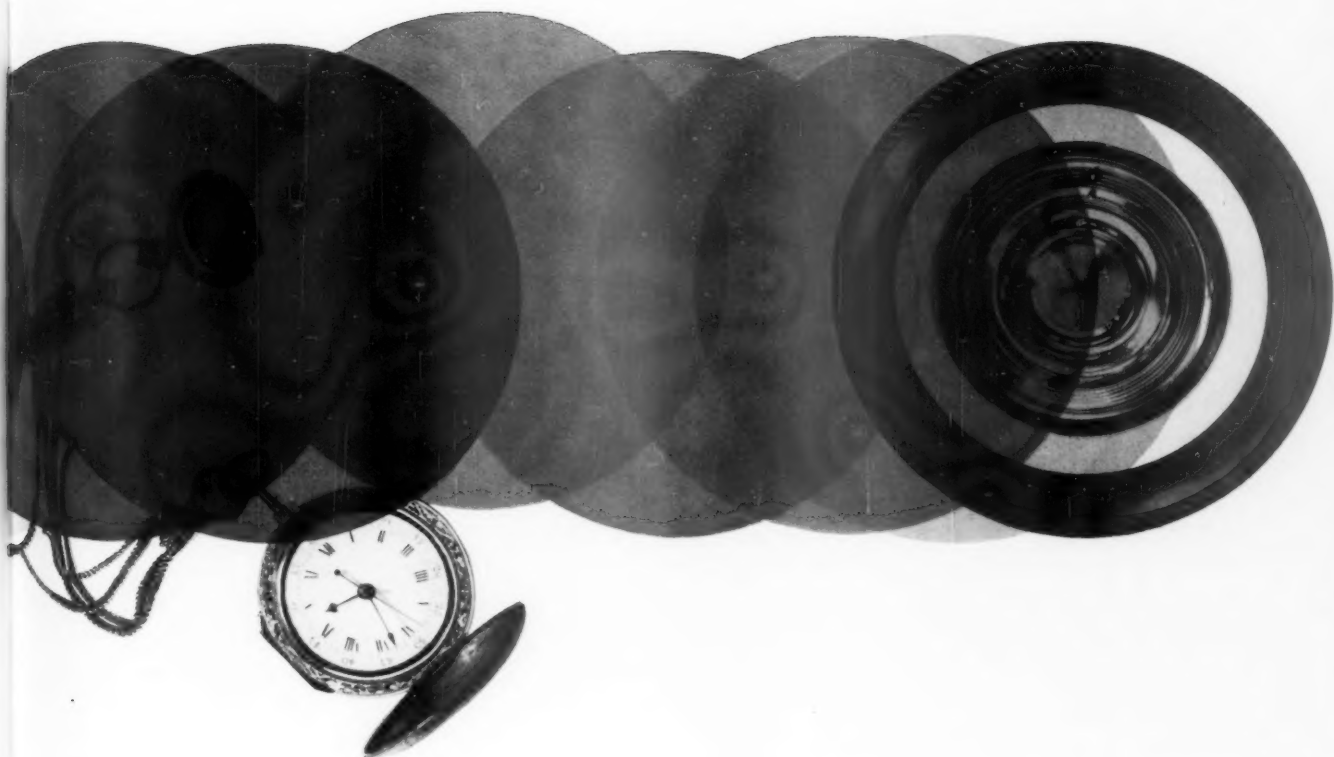
Labor's interpretation of the statistics comes through loud and clear from an AFL-CIO economist in Washington. Says Nat Goldfinger: "Much of the increase in productivity in recent years has resulted not in increased production of needed goods and services but rather in increased displacement of the labor force and rising unemployment."

The continuing trend toward greater productivity suggests two alternatives to AFL-CIO officials: Either the economy will have to grow at a quicker pace, with increasing sales and production to utilize labor more fully, or there will have to be a sharp reduction in working hours—or maybe a combination of both. Labor may use continuing rises in productivity as a wedge in bargaining for a shorter work week.

• **Adding Industries**—BLS chooses the industries on which its annual productivity reports are based, not necessarily on their importance to the economy—the bellwether auto industry, for example, is missing—but instead on how readily available statistics are.

Next year, the bureau hopes to expand the report, including perhaps 14 more industries. Right now there are, of course, other productivity reports available from trade groups and other industry sources. But, despite its shortcomings, the BLS annual index is considered the best over-all compilation. **END**



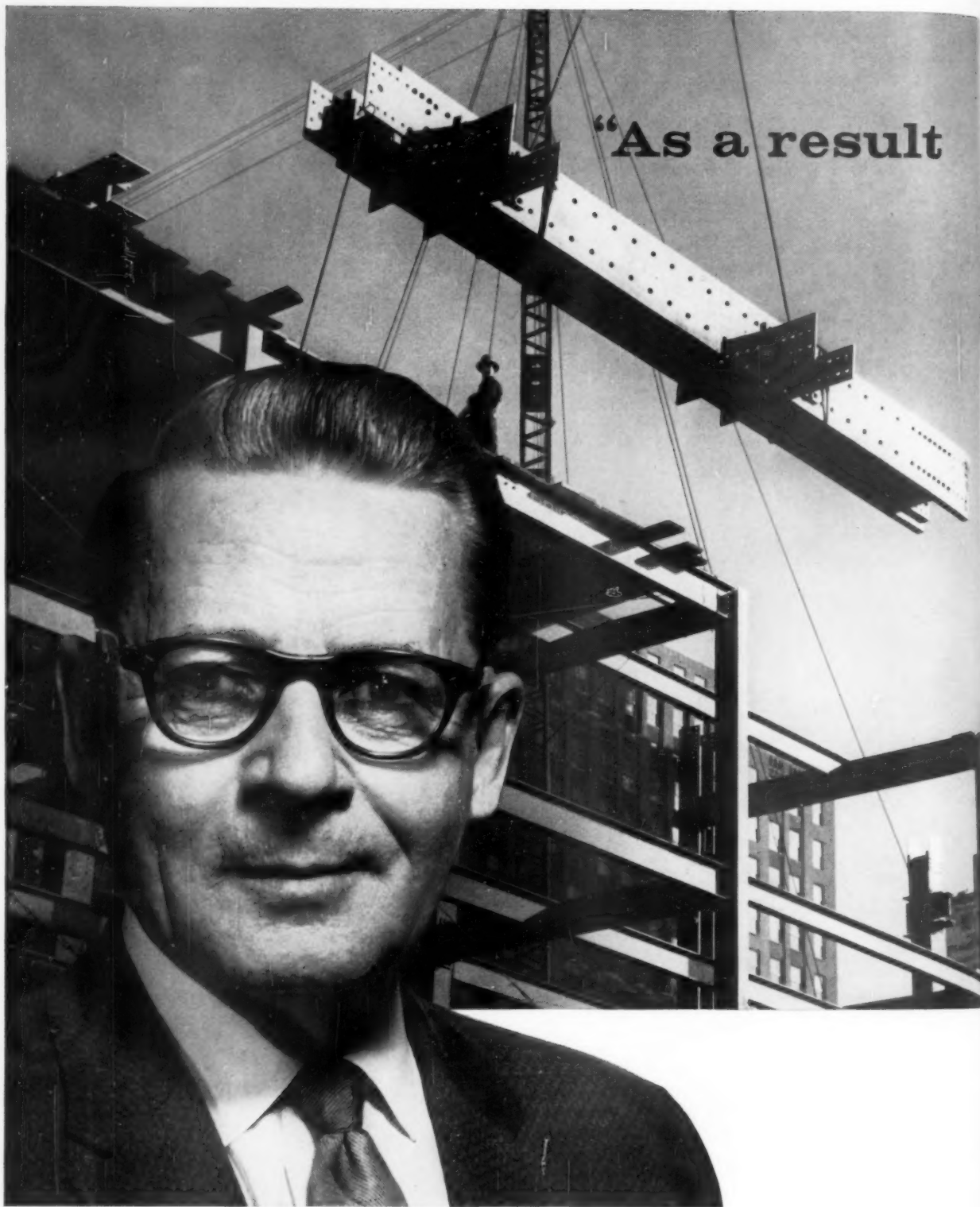


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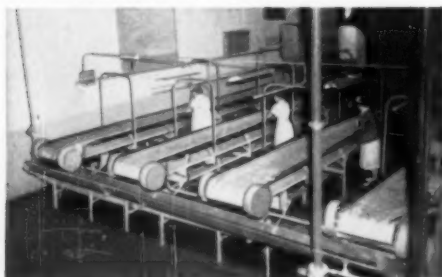
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Dulany Foods Inc. looked at numerous sites before locating its pioneer food freezing plant at Exmore, on Virginia's Eastern Shore. Deciding factors: dependable labor . . . proximity of rich farmlands . . . active interest in industrial development on the part of the community.

Today, Dulany freezes 15,000,000 lbs. of food a year, and additional cold storage facilities are being built. From the plant, food is distributed to all states east of the Mississippi. Dulany officials work closely with the Virginia Truck Experiment Station at Exmore . . . new products are constantly being added.

Ralph O. Dulany, President, says, "The 'gracious living' tradition which characterizes the area is responsible for continuing employment stability. The business climate, as evidenced by fine cooperation from State and local governments, community organizations, and citizens, is excellent."



In addition to profitable operation, Dulany officials enjoy a big bonus in good living. They say, "We don't operate under pressure. We get the job done but still can take time out for good fishing and hunting within minutes of the plant." Find out why so many progressive companies are locating in Virginia. Visit, phone, wire or write . . . in complete confidence.

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# PERSONAL BUSINESS

BUSINESS WEEK

AUG. 6, 1960



Owning property jointly with your wife—that is, listing yourselves as co-owners—may be a convenient and harmless way to handle a family checking account. But if you carry the idea much further, say the experts, you are inviting serious trouble.

The real difficulty begins when joint ownership is used as a short-cut substitute for long-range estate planning. That's because joint ownership gives you little or no flexibility. You forfeit your chance to direct the final disposition of your property. And in the long run it can be costly.

Here's an example of how costly: Where there's an estate of, say, \$300,000 moving from husband, to widow, to grandchildren, the difference between effective estate planning (BW—Aug. 29 '59, p101) and joint ownership might easily be \$30,000-plus in tax bills eventually paid by the grandchildren.

All too often, however, a husband thinks joint ownership is a safe and simple way to pass property along to his heirs, since if either he or his wife die the other immediately becomes sole owner of the property. So he decides to postpone making a will, at least until his "affairs get more complicated."

But look at the risk: When the husband dies, the burden of managing his property suddenly is placed in his wife's hands. She may not be able to handle this job wisely, especially where a range of investments is involved. Often, the wife will get a lot of well-intentioned but frequently ill-informed advice from friends and relatives.

Thus, your hard-earned money—and the family's security—may be jeopardized by unskilled handling. The way to avoid this, of course, is to have a professionally drawn will, containing advice and instructions, and maybe trust provisions.

Another danger of joint ownership, though a less apparent one, is that your property may even wind up wholly or partly in the wrong hands. Take this example:

A middle-aged man puts his property into joint ownership with his wife. They have no children, but the husband has an aged parent still living, and the wife has two brothers. The husband dies unexpectedly. A short time later the wife dies without having made a will. Since the joint property was entirely the wife's at her death, it all goes to her brothers (under state law). Likely, both husband and wife would have wanted to care for the husband's parent as well.

Here the result of rigid joint ownership is an illogical, unfair, and probably undesired distribution.

There are some big tax disadvantages, too.

When you use your own personal funds to create a joint ownership with your wife—buying securities with both names listed, for instance—you may end up owing the government a gift tax. This is especially true in cases where your wife actually exercises some control over the property. (Real estate is an exception—there's no danger of gift tax.)

Even if you pay a gift tax on the joint share given to your wife, you still don't avoid an estate tax, payable by your heirs. In practical terms, all the property that you and your wife own jointly at the time of your death becomes part of your estate (not just half of it as some people imagine). The law presumes that your personal funds, not hers, were used at the time of purchase.

# PERSONAL BUSINESS (Continued)

BUSINESS WEEK

AUG. 6, 1960

Of course, if it can be shown that your wife's money was used, then the property would be outside your estate and not taxable. But this kind of proof is hard to show.

**Warning:** Once you have got yourself locked in with joint ownership on a wide scale, there is no easy way out. **Having your wife hastily transfer joint property back to you would be a mistake**—you might again wind up with a big gift tax bill. Your lawyer or other estate-planning adviser can steer you on this, advising which properties can be retransferred without tax liability.

**Investment scene:** You may be debating a portfolio review with your broker, since the margin requirement for buying listed stocks has been lowered by the Federal Reserve from 90% to 70% (page 123). This means that in making new purchases on credit, a buyer now must put up just \$70 in cash for every \$100 worth, instead of \$90.

Keep this point in mind: Not only new, but existing margin accounts are—or can be—affected by the 90%-to-70% change. **An account started on the 90% basis, which has not gone down in value, now has greater borrowing power**—\$20 on each \$100 in the account.

**The ideal time to put in a new lawn is late summer or early fall** (not spring, as many neophytes believe). The question is, will the grass thrive in the particular plot you have in mind?

Here are some general indicators: For a hardy lawn, the ground should have **some natural drain**, and be free of heavy, spreading tree roots near the surface; also, it should have **porous texture** and high fertility—which means careful fertilizing following soil analysis. (Write to your county agricultural agent or state experimental station for instructions on sending a soil sample.)

**At least four hours' sunlight a day in the summer months is needed** (April through September); and unless you plan on heavy use of sprinklers, the annual rainfall has to be around 30 inches or better. **Seed type, of course, varies with such factors as local climate, sunlight.** Three new or revised Agriculture Dept. booklets give you a close look at lawn problems and their solutions: Home and Garden Bulletins Nos. 51 (15¢), 53 (15¢), and 61 (10¢).

Ground covers, like ivy, myrtle, and pachysandra, can be used, of course, as **grass substitutes** (BW—Mar. 14 '59, p. 178). They need about the same soil conditions as lawn grasses, but they will thrive in full shade.

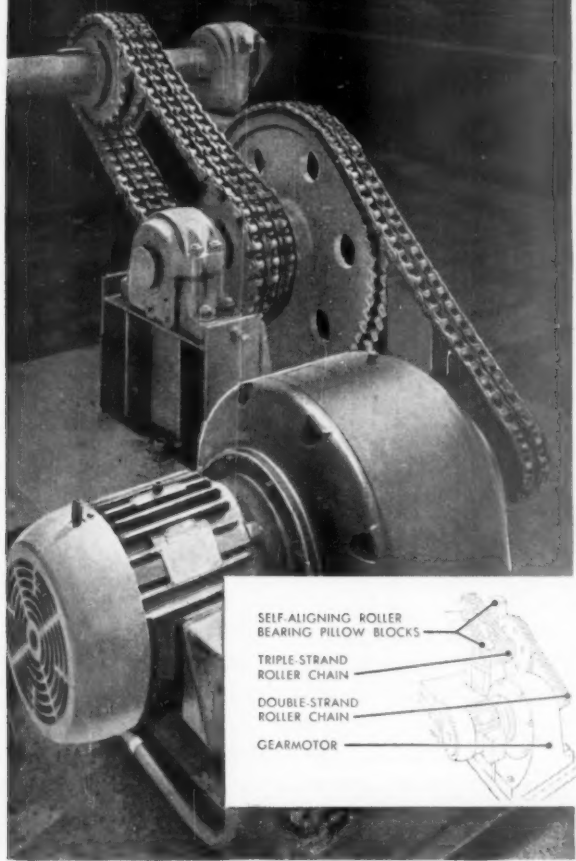
**Cool adventure:** Surface at the Pole, by Commander James Calvert (USN), is the story of the USS Skate, the atomic sub sent north to prove to the Navy that a submarine could navigate beneath Arctic ice floes—and break through the frozen sheet above when it becomes necessary to surface. This sea captain's story reads like topnotch science fiction (McGraw-Hill, \$4.75).

**Plain Letters**, by Mona Sheppard, reveals some secrets of successful business writing—it's a new effort that goes considerably beyond run-of-the-mill treatments (Simon & Schuster, \$4.50).

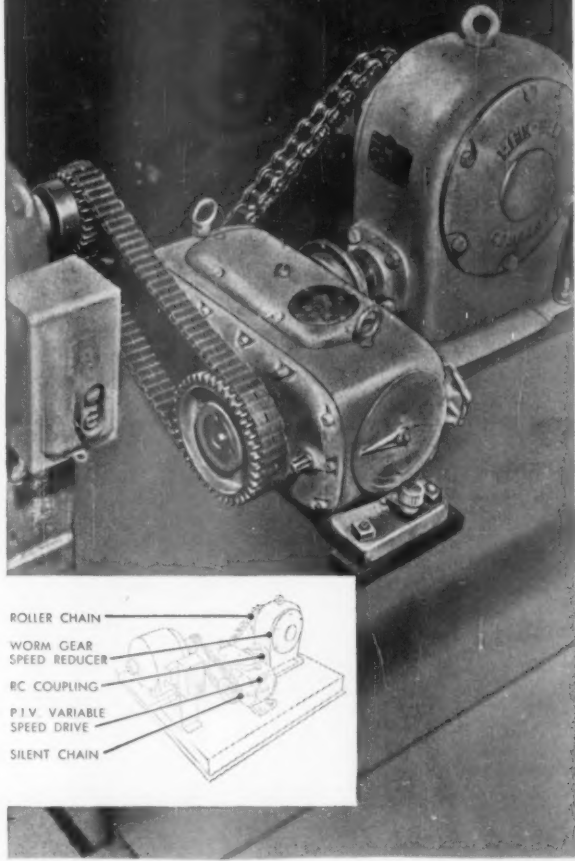
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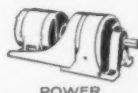
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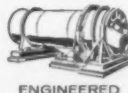
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# THE DENTS IN THE TUBE

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The same General Electric research that created this new years-ahead light source is giving you more and more light for your money in *every* G-E Lamp you buy—from the standard 40-watt G-E fluorescent, the most widely used fluorescent lamp type in the world, to the new smaller, whiter, brighter G-E 100-watt bulb.

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\*General Electric trademark for its non-circular cross section lamp.



# In New Products

• • •



## Device Takes Tape of One Code Level And Converts It Into Another

This tape device (picture) from Friden, Inc., automatically converts punched paper tape of one code level—that is, having a certain number of channels or tracks—into another. Reading data from any one of the standard five, six, seven, or eight channel tapes, it can reproduce it on any one of the other three.

Thus, the machine helps tie into a system such devices as computers, data transmission facilities, and machine tool controls—each of which may handle punched tape of a different code level.

For example, most IBM computers prepare eight channel tape, whereas a Teletype network transmits and receives five channel tape. So if you want to transmit IBM punched data by Teletype, you put a reel of it on one end of the converter, turn some switches, and five channel tape comes off the other at the rate of 1,180 characters per second.

The converter's purchase price is \$3,325; it leases for \$195 a month.

• • •

## Pipeline Flowmeter Talks on Phone In Human Speech—But No One's There

A new recording instrument, developed by Marathon Pipeline Co., subsidiary of Ohio Oil Co., automatically reports flowmeter readings from remote pipeline stations to the central office—and does it in a human voice over the telephone.

Marathon, which has already installed two of the new units at pumping stations 400 miles apart, feels that this is the most simple, economical, and reliable means of checking flowmeter readings.

The company says the cost is a fourth to a third of previous comparable equipment. The device is accurate and easy to service. What's more it's the first that re-

ports by voice on the number of barrels of oil passing through the station.

On the device, a drum carries six recorded tapes. One of these identifies the pumping station; each of the other five tapes are voice recordings of the digits 1 through 0.

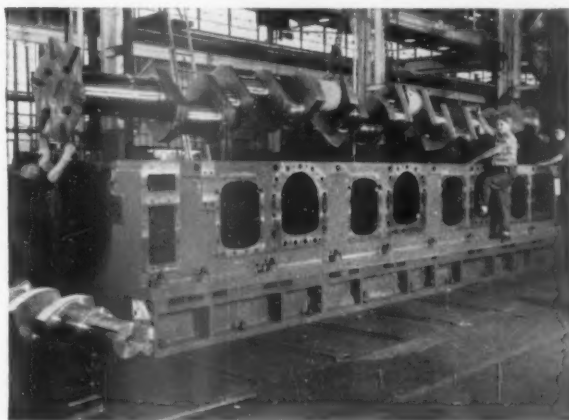
The instrument is hooked up to the flowmeter so that a counter next to the drum registers every 10 bbl.

When dispatchers at the central office dial the device on the telephone, a motor turns the drum until recorded digits corresponding to the counter reading are brought into position. Playback heads are actuated, and the device sings out the number of barrels loud and clear.

The device can be used with the regular telephone network, private wires, or microwave.

Marathon called in Continental Technical Service, Inc. of Dayton, Ohio, to make mechanical refinements and package the instrument. Continental will manufacture and market the unit, which will sell for about \$1,300.

• • •



## Biggest-Ever Gas Engine Compressor Will Develop 5,500 Hp. for Pipeline

The picture shows technicians at Clark Bros., of Olean, N. Y., lowering the crankshaft into the crankcase of the largest gas engine compressor ever built.

A turbo-charged 2-cycle job with 16 power cylinders, the new compressor is rated at 5,500 hp. Clark says no similar machine has been rated over 3,500 hp.

The big unit is designed for gas pipelines, where it would be used to boost the flow at a pumping station.

• • •

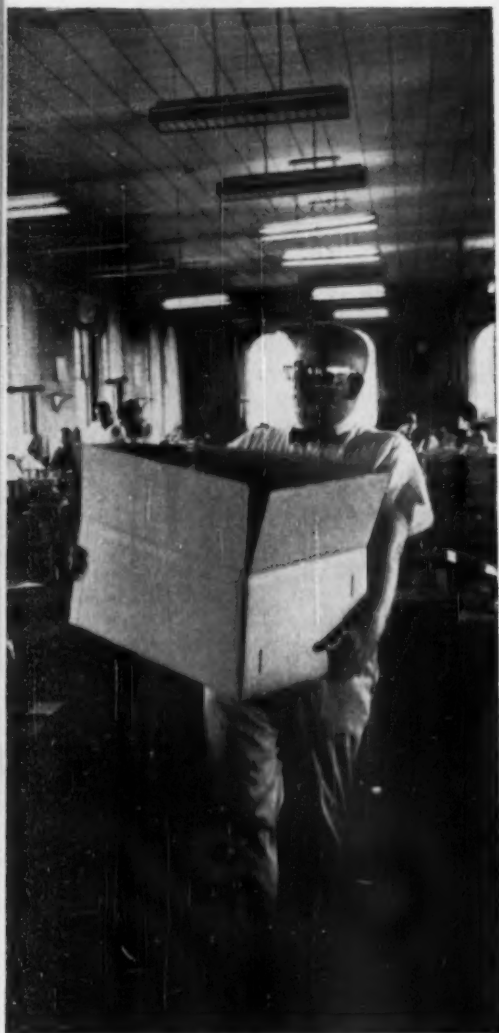
## New Chemical Products To Go On Sale

Two new chemical products are headed for the market:

A lanolin derivative, from American Cholesterol Products, Inc., is soluble in water and alcohol. It is the first time, says the company, that a cholesterol compound has been made that forms a clear solution.

A treated potassium carbonate compound developed by Ansul Chemical Co. makes a powerful extinguishing agent for fires caused by flammable liquids, according to the company.

## REGIONS



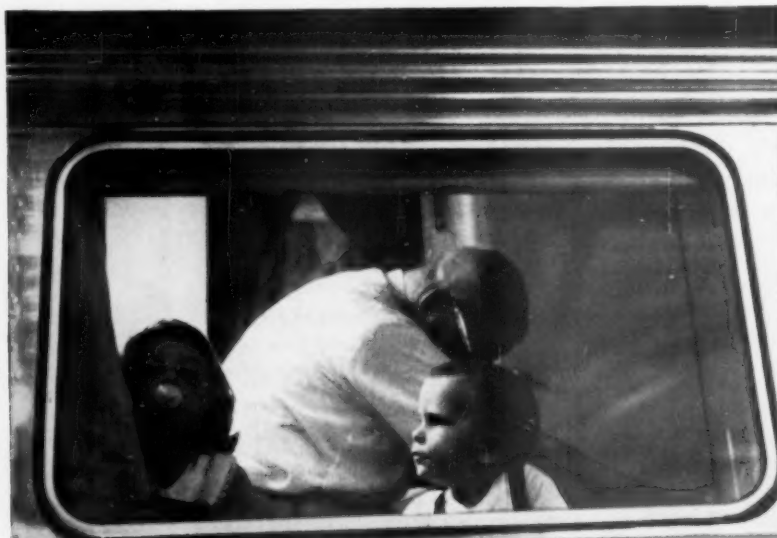
**START** of move from Wilmington to Jacksonville begins for George Gaskill as Atlantic Coast Line shifts headquarters.



**HOUSEHOLD** goods also have to be packed up. With help from his wife and son, Gaskill loads their possessions into van.



**PIGGYBACK** trailer with furniture is put aboard Jacksonville train. Moving company owner confers with family at the station.



**LAST LOOK** at Wilmington is taken by Deborah and Gilbert Gaskill from train window. The railroad moved about a dozen families a day to new homes and office in Jacksonville.

# Railway Gets Back on Main Line

From Virginia and the Carolinas, 500 persons came on a March day in 1840 to Wilmington, N. C., to watch the driving of the golden spike that completed the laying of 161 miles of track from Weldon, near the Virginia line.

It was a big occasion for Wilmington, then North Carolina's largest city and then, as now, its major seaport. Its new role as a railroad center was celebrated with a big barbecue at the depot and with the firing of 161 guns—one for each mile of what then was called the longest continuous railroad track in the world.

• **No Cheering**—Today, nobody is cracking off a volley in Wilmington;

there is nothing to celebrate. After 120 years, it has lost to Jacksonville, Fla., the general offices of the Atlantic Coast Line RR, the giant that developed from the Wilmington & Weldon RR. In place of celebrants, the depot buzzes every day with employee families heading south (pictures).

The moving of 970 ACL employees and their families, a total of 2,700 persons, a distance of 450 miles is the biggest move by a company in years. Ford Motor Co. moved 1,300 workers in 1955 from Richmond, Calif., to Milpitas, a distance of 50 miles. Chance Vought Aircraft moved a similar number in 1948-49 for a much greater dis-

tance—the 1,687 miles from Stratford, Conn., to Dallas.

The Coast Line, however, did not have the same motive for moving as manufacturers such as Ford and Chance Vought: It found itself, literally, off the main line.

• **Strategic Loss**—When the track first was laid to Wilmington, the city had a strategic location. At first, plans called for connecting it with the state capital, Raleigh, but that idea died when the people of Raleigh wouldn't help raise

**MODERN HEADQUARTERS** in Jacksonville puts Atlantic Coast Line nearer the heart of its rail system.

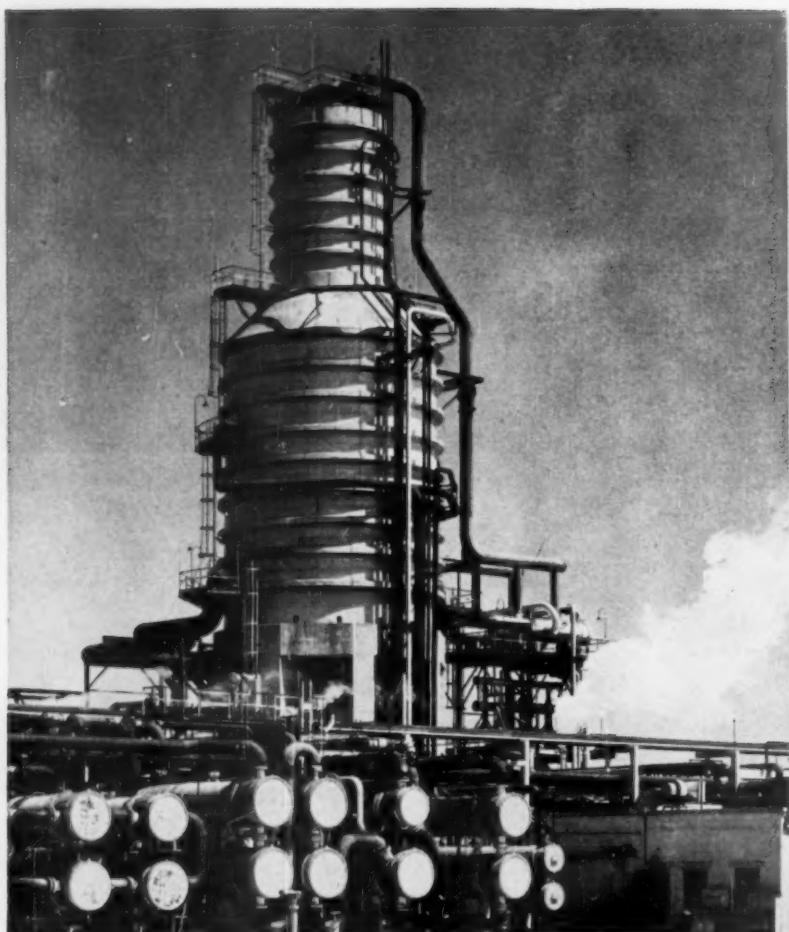


NEW OFFICE for George Gaskill, rate clerk, is a pleasant change from the old headquarters building in Wilmington.



AT HOME in Jacksonville, four-year-old Gilbert does his bit as sweeper as family gets settled in its new surroundings.





B-35

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140 Regions

**. . . in 1955 the city's fears  
began to come true . . .**

(STORY on page 138)

the money, as the people of Wilmington did. So the road's builders decided to bypass Raleigh by running the line to Weldon to make connections with Virginia railroads.

But in 1885, Wilmington itself began to be passed by. To shorten the routes to the South, a cutoff was built that went 87 miles west of Wilmington at the closest point. As the ACL emerged into a giant of more than 5,000 miles from the consolidation of a hundred small roads such as the Wilmington & Weldon, it took on most of its heft well to the south of Wilmington—particularly in Florida and Georgia.

• **Unwelcome News**—For years there were rumors that the company was about to pack and move out of Wilmington. But it was not until 1955 that the city's fears began to come true. Just as everyone was getting into a Christmas mood, the ACL board of directors dropped its bombshell: Wilmington was "geographically illogical in relation to the lines of the railroad." Champion McDowell Davis, long-time president who retired in 1957, was given authority to find another city for the ACL's general offices.

From Wilmington, the directors said, the sprawling system could not be operated efficiently enough. Officers and employees who had to travel spent too much time getting on the mainline. Company mail took too long to get around. Customers found the head office inaccessible.

Although this news was hardly a surprise in Wilmington, it still came as a shock. With more than 1,000 employees there—including a district office that stays—the Coast Line was the city's largest private employer. It ran 100 or 200 workers ahead of Babcock & Wilcox Co. and the Riegel Paper Corp. Consequently, the loss of an estimated \$6-million payroll stunned merchants and builders.

• **The Winner**—As the gloom spread in Wilmington, no other city could boast of landing the railroad immediately. The directors had not indicated a preference. Only after five months of study and competition with such cities as Charleston and Savannah did Jacksonville win out, in May, 1956. With the boom of Florida's economy and with one-third of Coast Line mileage in the state, the choice made sense.

It took the company until now to finish and occupy its 17-story building. In addition to all the details of planning and contracting for a 475,000-sq.-ft. office building, moving personnel and their possessions, the company had

BUSINESS WEEK • Aug. 6, 1960





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## BACKSTAGE AT BUSINESS WEEK

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## BUSINESS WEEK

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You advertise in Business Week when you want to influence management men



... of all the problems that came up in pulling 2,700 people up by their roots, none was tougher than housing ...

(STORY on page 138)

another interruption unconnected with the move: In 1957, it got a new president, W. Thomas Rice, when Davis retired, and Rice wanted to review the plans. The actual completion of the building was set for last month so that the workers' children would not have to transfer during a school year.

Less than 10% of the employees ACL asked to move to Jacksonville elected to stay in Wilmington. Some of these were oldsters close to retirement. The company made no special pension arrangements for them. Others who decided to quit rather than move had either a husband or wife working for another employer in Wilmington.

• **Housing Problem**—Of all the problems that came up in pulling 2,700 people up by their roots, none was tougher than housing. The company tried to ease it by preparing booklets on selling old homes, buying new ones. Every weekend, it took 30 employees and their wives to Jacksonville to let them find new homes. Once the move got under way, it did not want to put them up in Jacksonville for more than one night at company expense.

But so far, only 200 families have bought new homes in Jacksonville. Many others couldn't do so because they have had trouble getting rid of their old houses in Wilmington. The move threw too many second-hand homes on the market. The railroad isn't taking any houses off employees' hands, but it is helping out financially in cases of hardship. And for those who haven't been able to sell their houses or whose families have not been moved to Jacksonville, the company provides for transportation on weekends between the two cities. It put out information on basic things about Jacksonville such as taxes, schools, churches. It gave advice that ranged from the care of a gardenia bush to the location of a barn for horses in Jacksonville.

• **Piecemeal Moving**—To minimize interruptions in work, the company has been moving the offices one department at a time. Every day, it has a moving company pack and pick up the household goods of a dozen or so families. The trailers are then put piggyback fashion aboard the 5 o'clock overnight train to Jacksonville. The families themselves drive down or take the train. When the train arrives next morning, the trailers are taken off, and the goods are taken to the employees' homes or put in storage.

The railroad itself is taking relatively little along. It has been selling its old furniture to employees or second-hand

dealers or shipping it to other branch offices. It has burned old records. (The company gave its buildings to the city of Wilmington for use as it sees fit; one may become the new health department office.)

In Jacksonville, everything will be spanking new. On the banks of the St. Johns River, the new building is only a few blocks from the leading hotels, buildings, and stores. It is part of a downtown building boom that includes a new Sears, Roebuck & Co. store, a new building for the Florida National Bank, a city hall, auditorium, sports arena, and garage.

• **Plugging the Gap**—Wilmington has had some success in trying to plug the gap left by the Coast Line's departure, partly as the result of the work of a Committee of 100 formed after ACL's announcement in 1955. Among the companies:

• Tenney Engineering, Union, N. J., which moved its Baltimore operations to Wilmington. The company now employs about 100 Wilmington workers, but is shooting for 200 or 300.

• Reacor Chemical Co., to employ 60 by year's end.

• Hanover Mills Div. of Diamond Mills Corp., employing 265.

• Ideal Cement Co., Denver, Colo., which expects eventually to employ at least 200.

In addition, Riegel Paper has expanded its operations in Wilmington, adding 200 more workers to its payroll.

• **Merger Possibility**—Wilmington also can derive a little satisfaction from the possibility that a merger of the Coast Line with the Seaboard Air Line RR would dull the luster of Jacksonville's catch. Stockholders of both roads vote Aug. 18; then it's up to the Interstate Commerce Commission. Officers of the roads announced last month that if the merger goes through—which is far from certain—they would maintain general offices in both Jacksonville and Richmond, home of the Seaboard. Only two years ago, the Seaboard moved its 800 employees the 100 miles from Norfolk and Portsmouth into a new \$6-million building in Richmond. Top men would have offices in both cities, but it isn't yet clear how the functions would be split.

From a legal standpoint, Richmond would be the principal office. That's because the Coast Line would be merged into the Seaboard to take advantage of the Seaboard's more modern (1946) charter, and this Virginia charter requires the principal office to be in Virginia. **END**



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# The U.N.'s New Role in the Congo

It would be hard to exaggerate the importance of the task the United Nations has taken on in the Congo. The fate of this unhappy new nation, and of a large part of Africa, hangs on the outcome of the efforts U.N. Secy. Gen. Hammarskjöld now is making on behalf of the Congolese people. Even the course of East-West relations will be profoundly affected by the success or failure of Hammarskjöld's endeavor, as will the future of the U.N. itself.

By taking the initiative in meeting the Congo crisis, Hammarskjöld is giving the U. N. a new and promising role in world affairs. In effect, he has made the U. N. the guardian of the newly emerging nations, greatly reducing the danger that they will be pawns in the East-West power struggle.

Fortunately, the U.N. was able to move rapidly in meeting the governmental breakdown that followed immediately on the heels of Congo independence. Within a matter of days Hammarskjöld had the first contingents of a multi-nation U.N. force on the spot, plus food supplies and a small group of administrative and medical experts.

To Hammarskjöld's credit, he seems to have realized from the start that the U.N.—and only the U.N.—could meet the two basic requirements of a peaceful solution in the Congo. The first of these was to prevent Moscow from provoking an open East-West clash in the Congo—a danger that so far has been averted. The second was to establish sufficient U.N. authority in the Congo (over both the Congolese government and the Belgian forces there) so that the long and costly process of establishing a viable nation could get under way.

In the Congo, the U.N. is breaking entirely new ground. It must create the conditions for stability, and not merely help stabilize an already stalemated situation as it did in Gaza at the time of the Suez crisis. Beyond that, the U.N. faces the problem of building an administration for the Congo and establishing new foundations for economic development. On both counts, it is essential that the U.N. arrange a compromise between the central government in Leopoldville and Katanga Province, which has nominally seceded from the Congo.

Given the widespread ferment in Africa today, and the prospect of other explosions in African nations still seeking their independence, the rest of the world can be thankful that the U.N. has been capable of grappling with the Congo crisis. In the words of Pres. Eisenhower, this has been "a heartening demonstration of the effectiveness with which the world community can cooperate."

It is too soon, however, to predict that the U.N. has succeeded in the Congo. Hammarskjöld will need the continuing support of the U.S. both in fending off disruptive moves by Moscow and in

providing financial support for the Congo. The Eisenhower Administration quite rightly is studying ways to channel economic aid for the Congo through the U.N.—a procedure that may well set a pattern for our future aid programs in Africa.

## The Margin Cut

The Federal Reserve Board has lowered margin requirements on stock purchases from 90% to 70%—not because it hopes to prop up a sinking market but because the level of stock market credit has been shrinking. This is as it should be.

If speculators had continued to see things through the rose colored glasses so much in vogue at the beginning of the year, a 90% margin—or even 100%—would not have prevented a flight from reality. But once Wall Street began coming down to earth, the use of credit declined and the 90% margin rate was no longer necessary.

As the one selective control that the Fed possesses, regulation of margin requirements has proved surprisingly effective. But its effectiveness depends in large part on the elbow room that the Fed gives itself. Given the current mood of investors a drop to 50%, rather than the current 70%, should be considered. For that would give the Fed real leverage if it needs to tighten up again.

## A Necessary Merger

When United Air Lines and Capital Airlines agreed to a merger last week, they set up a difficult decision for the Civil Aeronautics Board.

The merger makes good sense. Capital had been in financial difficulty, carrying debts that it could not meet, including \$33.8-million owed Vickers-Armstrongs, Ltd., British builder of its Viscount aircraft. For Capital and for Vickers, the merger is a way out of their troubles. United expects to add much of Capital's revenues to its own and to add such important cities as New Orleans and Miami to its network (page 24). Other carriers seem to feel that the merger is necessary and do not expect to oppose it.

The idea of a merger goes against some of the principles on which CAB has been acting. CAB has tried to encourage the smaller carriers by giving them routes on which they competed with the long-established major carriers. If it allows United and Capital to merge, CAB may have a series of other lines coming to it for approval of mergers.

In this crisis, though, there seems to be no alternative. The merger should go through in the interest of preserving strong airlines and of maintaining a high level of service for their passengers.





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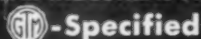
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6,000 gals. (rectangular)	114" x 20" x 12"
6,000 gals. (square)	126" x 20" x 11"
10,000 gals. (rectangular)	91" x 24" x 20"
10,000 gals. (square)	144" x 16" x 16"
15,000 gals.	176" x 20" x 18"
20,000 gals.	176" x 20" x 20"
50,000 gals.	204" x 60" x 24"

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